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Rudolph A. Peterson

A CAREER IN INTERNATIONAL BANKING WITH THE BANK OF AMERICA,
1936-1970, AND THE UNITED NATIONS DEVELOPMENT PROGRAM, 1971-1975

With an Introduction by
A. W. Clausen

Interviews Conducted by
Germaine LaBerge
in 1992 and 1993

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Banker

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Introduction by A.W. Clausen, Chairman and CEO (retired), BankAmerica Corporation.

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PREFACE

On the occasion of the 50th anniversary of our graduation from the University of California at Berkeley, the Class of 1931 made the decision to present its alma mater with an endowment for an oral history series to be titled "The University of California, Source of Community Leaders." The Class of 1931 Oral History Endowment provides a permanent source of funding for an ongoing series of interviews by the Regional Oral History Office of The Bancroft Library.

The commitment of the endowment is to carry out interviews with persons related to the University who have made outstanding contributions to the community, by which is meant the state or the nation, or to a particular field of endeavor. The memoirists, selected by a committee set up by the class, are to come from Cal alumni, faculty, and administrators. The men and women chosen will comprise an historic honor list in the rolls of the University.

To have the ability to make a major educational endowment is a privilege enjoyed by only a few individuals. Where a group joins together in a spirit of gratitude and admiration for their alma mater, dedicating their gift to one cause, they can affect the history of that institution greatly.

The oral histories illustrate the strength and skills the University of California has given to its sons and daughters, and the diversity of ways that they have passed those gifts on to the wider community. We envision a lengthening list of University-inspired community leaders whose accounts, preserved in this University of California, Source of Community Leaders Series, will serve to guide students and scholars in the decades to come.

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INTRODUCTION--by A. W. Clausen

I've known Rudolph Peterson for more than thirty years in person, and much longer by reputation. Though he was away from Bank of America for fifteen years before returning in 1961, bank people knew who he was and held him in high regard. He had spent ten years here--1936 to 1946--before A. P. Giannini asked him to become president of Allied Building Credits, a subsidiary of Transamerica Corporation, of which the bank was also a subsidiary. Then he'd gone on to become president of Bank of Hawaii; several years later, Bank of America invited him back as vice chairman.

Rudy hadn't been back long before Bank of America's directors elected him to succeed Clark Beise, president and chief executive officer, who reached the mandatory retirement age in 1963. Just as the change of command was taking place, the bank transferred me from Los Angeles to San Francisco Headquarters. We've had a good relationship from the beginning.

But, one of the first times I ever saw him, an incident took place that I feared would ruin my career at Bank of America! Rudy came to Los Angeles, where I was still working, to accept an award on behalf of Clark Beise. The bank had reserved a table at the awards banquet, and Rudy asked the local executives to have five younger officers and their spouses sit at the table with him. I was one of the five, and my wife Peggy was seated next to Rudy.

Now, I am Norwegian by descent, and Rudy was born on a farm near Svenljunga, Sweden. Peggy asked if Rudy had heard the story about "one thousand Swedes running through the weeds, with one lone Norwegian chasing after them." Of course he had heard it--there is an age-old rivalry between the two peoples. Pointing to me, she said (as I later learned), "That young man sitting across the table is Norwegian. He happens to be my husband. Watch out for him."

Hearing the story on the way home that night, I thought, "This is the beginning of the end." Looking back, though, I suspect that he might have admired Peggy's boldness. He has demonstrated not a little of that quality in his own career. It has often been said of him that he "knows his own mind and looks you straight in the eye," and even that "he has the mien of a Viking."

Rudy's legacy to Bank of America transcends boldness, however. In a news interview, he once advised bankers to "be brave enough to try new ways. Be a big dreamer, but make your dreams realistic." As general manager of the bank, he showed a keen sense of the moment when dreams could become reality.

Under Rudy's guidance, the bank went through a tremendous expansion in its overseas operations, its credit card business, and its California branch system. When he assumed the general managership in 1963, the bank's resources totaled \$14.7 billion; its deposits \$13.2 billion; and its loans \$8.3 billion. At the end of his tenure slightly more than six years later, the bank's resources were \$25 billion, deposits were \$22 billion, and loans \$14.6 billion. Earnings per share had risen from \$2.74 in 1964 to \$4.43 in 1969.

I think his greatest contribution was to make B of A a truly international bank. One example: a credit of nearly a quarter-billion in Eurodollars to Bougainville Copper Mines in what was then the United States Trust Territory of Papua New Guinea. It was, for that time, one of the largest deals of its kind, though other syndications would soon come along to dwarf it. It was significant that while it involved financial organizations in Australia, Canada, Great Britain, Japan, West Germany, France, Spain, Belgium, and the Netherlands, Bank of America was the only U.S. bank to participate--in fact we led the syndicate, as I mentioned.

Rudy built upon the accomplishments of his predecessor. Clark Beise had given the bank credibility in the eyes of the world during his 9-1/2 years as president. Clark did much, in fact, to build upon the vision of A. P. Giannini, a vision that, ironically, earned Giannini a reputation as an aggressive maverick. Following Giannini's ideas, Beise consolidated the bank's position as a national financial resource by launching, among other things, the BankAmericard and the Electronic Recording Method of Accounting (ERMA), proposed by Al Zipf and built by Stanford Research Institute under Clark's watch. The world took notice of the bank's accomplishments under Beise.

It was Rudolph Peterson who led the bank to major global accomplishments. We started somewhat late in that arena, but because the bank was well disciplined under the Beise administration, we were able rapidly to put into place under Peterson an international banking operation for a "home grown," Western U.S. retail bank.

Rudy achieved this by being an excellent manager of people and philosophies--a strong leader who nevertheless believes in the collegial approach. He used the bank's Managing Committee, not to concur with his decisions, but to improve the quality of decisions through open discussion of issues. Those decisions were far more complex for a bank rapidly expanding its international role than for an exclusively California retail operation.

An example was the formation of a bank department to work with multinational companies. We had a national division that dealt with companies such as General Motors, Sears Roebuck, and AT&T--major

corporations whose activities extended over the entire United States. We had an international division that provided commercial banking services, on both the asset and the liability side, outside the country. But in the fifties and sixties, some huge, truly international corporations had evolved, including Unilever and Royal Dutch Shell overseas, and IBM and General Electric in the United States. The multinational accounts were, after all, the premier accounts in the bank. In forming a multinational division, Rudy consulted--all together as a group--the key players in all parts of the bank that would be affected: the heads of personnel, trust, legal, the California retail system, the national and international divisions, and so forth.

What I learned from Rudy Peterson was that the solutions to complex problems are never all black or all white. There are no utopian solutions; the way to proceed is collegially, with everyone tuning into everyone else. It takes a lot of time but it's not a waste of time. Large corporations, including large banks, always run the risk of fragmentation. Without a collegial management approach, it is too easy for the various parts of the operation to feel as if they had nothing to do with one another. Each manager must have an appreciation of what the entire company is doing.

The philosophy he advanced is still in place today. Collegial management is not original with him, but I give him credit for installing it so firmly.

Twenty-five years after retiring, he is still highly active, and still the passionate internationalist. For five years he was Administrator of the United Nations Development Programme; he continues to serve on corporate boards, foundations, hospitals, and academies too numerous to mention. And to this day he travels extensively worldwide.

He's still in his salad days; he won't be 100 years old for another ten years and a half. George Burns has nothing on Rudy Peterson!

A. W. Clausen
Chairman and Chief Executive
Officer (retired)
BankAmerica Corporation

June 14, 1994
San Francisco, California

INTERVIEW HISTORY--by Germaine LaBerge

Time magazine's cover story on Rudolph Arvid Peterson (December 30, 1966) called him "the biggest bank's uncommon asset" and "one of the most astute money managers of our day." As president of the Bank of America from 1963 to 1970, he formed it into a truly international bank, opening branches in Europe, Asia, and South America. In so doing, he knew how to choose and to train personnel for innovation, flexibility, creativity. He in fact trained himself for his next career in the international field--director of the United Nations Development Program. These are only two facets of a multi-faceted individual--two reasons why the Class of 1931 Advisory Committee asked Rudolph Peterson (Class of 1925 and 1968 Alumnus of the Year) to become the tenth memoirist in the oral history series entitled "The University of California, Source of Community Leaders."

Produced by the Regional Oral History Office of The Bancroft Library, University of California at Berkeley, this memoir covers Rudolph Peterson's birth in Sweden in 1904, his immigration to the states and childhood in the Hilmar Colony of Turlock, his four years at the University of California. Here he was taught by some of the "greats"--David P. Barrows, Ira B. Cross, E.T. Grether--and met Patricia Price, who was to become his wife and mother of Linnea and Price Peterson. Mr. Peterson describes their first trip to Sweden and more importantly, meeting for the first time as an adult his parents and siblings.

In addition to rich family history, the memoir traces Rudolph Peterson's career path, beginning with the Commercial Credit Company in the states, Mexico, and Cuba. He joined the Bank of America in 1936, working on Timeplan, an installment lending program; he moved over to Transamerica Corporation from 1946 to 1955, at the request of Mario Giannini, in a supervisory position. He came to each of these jobs to deal with a "crisis"; he was willing to take risks and proved successful in solving problems.

The Bank of Hawaii lured Mr. Peterson to the islands as its president from 1955-1961. He and Pat enjoyed the style of living there and he made innovations in banking including community outreach, credit cards, early year-end statements. He made contacts with the Dillinghams and Henry Kaiser which continued in later years. Unfortunately cancer overtook Pat Peterson there, but she was warmly surrounded by family and friends in her final days.

The Bank of America wooed Mr. Peterson back to San Francisco to be general credit manager under Clark Beise and then president of the bank from 1963 to 1970. He brought to the bank what A.W. Clausen calls a "global perspective." Mr. Beise had strengthened the domestic side of

the bank, introducing the credit card among other innovations; Rudolph Peterson extended its presence and influence throughout the world. On a personal note, Mr. Peterson met and married Barbara Lindsay and began globe-trotting for the bank and for the United Nations Development Program.

During all this time, he was consulted by Presidents Kennedy, Johnson, and Nixon. He headed the President's Commission on the Postal Organization, 1967-1968, and the Task Force on International Development, 1969. Mr. Peterson has served on the boards of Alza Corporation, the National Park Foundation, the California Academy of Sciences, the Asia Foundation, to name a few. He still personally supports the University of California archeological project in Nemea, Greece, headed by Professor of Classics Stephen Miller; Mr. and Mrs. Peterson have visited the ancient Olympic site several times since 1974, the latest visit being May of 1994. Mr. Peterson continues to be an advisor for the worldwide environmental conferences (Tokyo and Rio de Janeiro). One wonders when, if ever, he will really retire.

After one planning session, there were thirteen tape-recorded interviews on November 23 and December 16, 1992; March 10, 16, 26, April 1, July 26, 28, August 4, 19, September 2, October 14, and November 9, 1993. All sessions took place in Mr. Peterson's office in the Retired Executive Officers Suite of the bank's World Headquarters building, overlooking San Francisco. Mr. Peterson came to each session thoroughly prepared to discuss the topic at hand; most often he had consulted the bank's or his own personal records and kept his notes nearby for factual verification. He spoke easily but was often concerned about "wordiness"; however, the interviewer assured him that "wordiness" makes for the best oral histories, giving researchers information and interpretations of events found nowhere else. After the tapes were transcribed at the Regional Oral History Office, the transcript was edited by the interviewer. Mr. Peterson then made extensive revisions and corrections, adding pertinent material where he deemed it necessary. The final type was indexed by the editor.

Many people helped bring this project to fruition. Thanks to the Class of 1931 and to the Bank of America Foundation for funding this memoir of Rudolph Peterson. A.W. Clausen, chairman and CEO (retired) BankAmerica Corporation, spent an afternoon with the interviewer, providing meaty background material on the bank and his former boss. In addition Mr. Clausen has written a comprehensive introduction to this volume, for which we are grateful. Leslie Scatena, Mr. Peterson's secretary, helped a great deal in setting up meetings, finding archival material, and providing photos.

Researchers may want to consult other sources, used by the interviewer in preparation for this interview: Biography of a Bank. The Story of Bank of America NT & SA by Marquis James and Bessie R. James (New York: Harper & Brothers, 1954); Roller Coaster: The Bank of America and the Future of American Banking by Moira Johnston (New York: Ticknor & Fields, 1990); Twelve Ways to the Top. Swedish-American Success Stories by Goran Blome (New York: Swedish-American Chamber of Commerce, 1985); The Swedish Americans of the Year by Press' Forlag (Karlstad, Sweden: 1982); Debt in a New Environment by Rudolph A. Peterson (The Arthur K. Salomon Lecture, New York University, 1964); and various magazine and newspaper articles. In addition, Mr. Peterson has recorded a memoir with The Swedish American Project of the Oral History Program at California State University, Fullerton in 1991. The Bancroft Library holds some papers including a short interview completed in 1983 entitled "Recollections and Reflections on a Career."

Germaine LaBerge
Interviewer/Editor

June 14, 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

Regional Oral History Office
Room 486 The Bancroft Library

University of California
Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name RUDOLPH ARVID PETERSON

Date of birth DECEMBER 6, 1904

Birthplace SVENLJUNGA, SWEDEN

(1) Anders Pettersson

Father's full name (2) Aaron Peterson (adoptive)

(1) Timber Farm

(1) Frolunda, Vasterlunda,

Occupation (2) Carpenter/Rancher

Birthplace (2) Svenljunga, Sweden

(1) Amanda Pettersson

Mother's full name (2) Anna Matilda Johansson (Adoptive)

Occupation (1,2) Housewife

(1) Svenljunga, Sweden

Birthplace (2) Kalv, Vasterlunda, Sweden

Your spouse Barbara Welser Lindsay

Occupation Housewife

Birthplace Milwaukee, Wisconsin

Your children R. Price Peterson, L. Linnea Bennett, Robert Lindsay, Lorna Lindsay,

Ann Lindsay, Margaret Lindsay

Where did you grow up? TURLOCK, CALIFORNIA

Present community PIEDMONT, CALIFORNIA

Education (PLEASE SEE ATTACHED)

Occupation(s) _____

Areas of expertise _____

Other interests or activities _____

Organizations in which you are active _____

BIOGRAPHICAL RESUME
 RUDOLPH A. PETERSON

January, 1994

Career Positions: President and Chief Executive Officer (Retired)
 Honorary Director
 BankAmerica Corporation
 Bank of America NT & SA

Other Current Key Business Positions: Director - ALZA Corporation
 Director - Bank of Bahamas, Ltd.
 Chairman - Euro Canadian Bank
 Director - Municipal Fund/California Investors

Major Government Posts: Director - National Park Foundation
 Department of the Interior
 1982-1988

Administrator - United Nations Development Programme
 1972-1976

Chairman - President's Task Force on
 International Development
 (Senate Foreign Relations Committee)
 1969-1970

Commissioner - President's Commission on Postal
 Organization
 1967-1968

Current Executive Positions with Associations and Organizations: Trustee - The Asia Foundation
 Chairman - California Academy of Sciences Advisory Council
 Director - Children's Hospital Medical Center
 of Northern California
 Director - Swedish Council of America

University Degrees: B.S. Commerce, University of California, Berkeley 1925
 LL.D. University of California, Berkeley 1968
 L.H.D. University of Redlands, California 1967

Honors: Royal Order of Vasa (Sweden) & Swedish-American of the Year
 Grand Cross of Civil Merit (Spain)
 Order of Merit (Italy)
 Consulting Engineers Association of California
 "Man of the Year" Award
 University of California "Alumnus of the Year" Award
 California Museum of Science and Industry
 "California Industrialist of the Year" Award
 Capt. Robert Dollar Memorial Award for Contribution to
 Advancement of American Foreign Trade
 University of California "Chancellor's Award"

Career Positions:

1925-1936: Commercial Credit Company - Field Representative through successive promotions to Assistant Manager - San Francisco; Vice President and General Manager - Mexico, Mexico; Division Operations Manager - Chicago, Illinois.

1936-1946: Bank of America NT & SA - District Manager - Fresno, California; Vice President - San Francisco - supervision of statewide lending activities.

1946-1952: Allied Building Credits - President and CEO - headquarters successively in St. Paul, Minnesota, and Los Angeles, California.

1952-July 1955: TransAmerica Corporation - San Francisco - Vice President - supervised all its banking interests throughout five Western States.

October 13, 1955 Bank of Hawaii, Honolulu, Hawaii
November 30, 1961: President and CEO

December 1, 1961 Bank of America NT & SA, San Francisco
October 31, 1963: Vice Chairman of the Board of Directors

November 1, 1963 Bank of America NT & SA, San Francisco
December 31, 1969: President and CEO

October 25, 1968 BankAmerica Corporation, San Francisco
December 31, 1969: President and CEO

January 1, 1970 Bank of America NT & SA and BankAmerica Corporation
January, 1975: Chairman of the Executive Committee

Major Government Posts:

Commissioner President's Commission on Postal Organization
1967-1968

Chairman President Nixon's Task Force on International Development - Senate Foreign Relations Committee
1969-1970

Administrator United Nations Development Programme - 1972-1976

Director National Park Foundation - Dept of the Interior
1982-1988

Current Business and Community Assignments:

Director - ALZA Corporation
Trustee - The Asia Foundation (former Chairman)
Director - BankAmerica Corporation
Director - Children's Hospital Medical Center
Chairman - Euro Canadian Bank
Director - Municipal Fund/California Investors
Director - Swedish Council of America (former Chairman)

Former Business
and Community
Assignments:

Chairman and Trustee - California Academy of Sciences

University
Degrees:

B.S. Commerce, University of California, Berkeley 1925
LL.D. University of California, Berkeley 1968
L.H.D. University of Redlands, California 1967

Honors:

Royal Order of Vasa (Sweden) & Swedish-American of the Year
Grand Cross of Civil Merit (Spain)
Order of Merit (Italy)
Consulting Engineers Association of California
"Man of the Year" Award
University of California "Alumnus of the Year" Award
California Museum of Science and Industry
"California Industrialist of the Year" Award
Capt. Robert Dollar Memorial Award for Contribution to
Advancement of American Foreign Trade
University of California "Chancellor's Award"
National Park Foundation "25th Anniversary Award" (May, 92)

I FAMILY BACKGROUND AND CHILDHOOD

Swedish Heritage

[Interview 1: November 23, 1992] ##¹

LaBerge: Why don't we just start from the beginning about where you were born, when you were born, and how you came to this country? So tell me the city you were born in, and your parents' names.

Peterson: My parents' name was Anders and Amanda Peterson. I was born on a modest timber farm in Sweden in December of 1904. I was the sixth and last of six children, four boys and two girls. My mother, between the two youngest, the girls, had lost one. The result was that my oldest brother was fourteen, and my parents were a very orderly couple apparently, because everybody was two years apart. He was fourteen years older than I was.

This was, and has been, always an interesting set-up to me, because this--my home town was Svenljunga in Sweden, and in those days, and until fifteen, twenty years ago, all these homes had a name. The name of our home was Svedjorna. The translations--not many of these had a translation, but they were a combination of expressions. This was "Burnt Grounds," is what Svedjorna is. I presume it came from the fact that back as far as the 1600s, it was a ranger station, by our definition.

This part of Sweden is rather unique, because all the way up past Stockholm, this is a gently rolling agricultural topography. But here, just inland in the center of Sweden from Gottenberg, is a small area--I would say maybe thirty miles across, and maybe thirty or forty miles, north and south--that

¹## This symbol indicates that a tape or tape segment has begun or ended. A guide to the tapes follows the transcript.

is wooded. It's very rocky, full of lakes, semi-mountainous, and the result is that in much of this area, we have these modest timber farms.

They cleared the meadows, sometimes they had to take out quite a bit of rock, but in the meadows they grew vegetables or feed for the dairy, so our Svedjorna was not untypical. There was a small dairy there, and they grew most of their own potatoes and vegetables and such, had cellars where they kept them in the winter, which worked out very well.

I presume that there were times when maybe timber prices weren't so good, but there were always milk products and vegetables and things to eat. So maybe that's why I was never conscious of anyone being poor, and nobody was very rich, either.

LaBerge: Well, for instance, how many acres did your family own?

Peterson: At that time, my recollection is that it was less than 100 acres. Then my number two brother, who was the one that stayed on and took it over from my parents, he has trebled it. So today, my nephew lives with his wife and family, and it's a very comfortable, profitable situation.

LaBerge: What was your brother's name?

Peterson: My number two brother's name was Hugo, and my nephew is Rune.

LaBerge: And just to go back for a minute, do you know the meaning of your town?

Peterson: Svenljunga--that's a good question. I think junga can mean either thunderous or heather. Neither one makes much sense when combined with a popular male's name, Sven.

My grandfather had taken over the farm in the middle 1800s. There have been three sets of grandparents in a very lovely little cottage that's kind of separate.

My father and mother had met I guess around 1885. My father was born and grew up about fifteen miles away, in one of the most fertile areas of Sweden. As a matter of fact, I visited his home the last time I was there, which was a couple of months ago. It's still there--the barns and the two beautiful homes are up on top of a hill, and then all around this hill are rich farmlands. This was a very large ranch.

And he apparently as a youth growing up behaved himself because by the time he was in his--I guess it must have been middle twenties--the owner made him the foreman of the ranch. He met my mother about then, and they were married in 1891, I think it was.

LaBerge: Do you recall the names of your grandparents?

Peterson: Yes. It's very simple. [laughter] Petter Andersson.

LaBerge: Oh, and that's why you're Peterson.

Peterson: That's why I'm Peterson. We were the first generation to take our parents' name. And it also simplified life for our sisters, because they then had a name. You see, prior to that, my sisters would have simply been Andersdotter, Anders' daughter. And they'd go on through life with that until they married somebody. So it's very confusing on trying to trace the feminine side of the population prior to that time, because they were always their father's daughter.

LaBerge: And you and your sisters wouldn't have had the same last names.

Peterson: No, we boys would have been Andersson, of course.

LaBerge: Wow. Okay, so Petter Andersson, and what was his wife's name? Your grandfather?

Peterson: His wife's name was Cajsa Magnusdotter. He married her in 1861.

My brothers and sisters are all gone, but I was there a couple of months ago for two or three days. I had been at a meeting in Stockholm, and I usually go down there for a couple of days. My nephew had set up a Sunday dinner, and there were ten nieces and nephews there. We had the most delightful time. One couple had come almost all the way from Stockholm. They had driven down.

LaBerge: It's wonderful that you have all that heritage, but you also know about it and you still have the connection with--.

Peterson: Yes. It's been fun, because my oldest brother and I were the two in this country.

LaBerge: And what's the oldest brother's name?

Adoption by Anna and Aaron

Peterson: Carl. I might mention that now--maybe I should go into my adoption?

LaBerge: Should we go into how you got here--yes, and you can talk about Carl.

Peterson: Yes, and then I'll get to Carl. In 1905, my mother's only brother, Aaron, who had been in the United States for about fifteen years, brought his bride home for a visit for the summer. It was obviously a very joyous reunion, and obviously the new Aunt Anna became very popular. After all, here were six children from less than a year to fourteen, and here was this lovely sister-in-law ready to help in the house, keeping track of the children, doing all the little chores that come in handy when you don't have a maid.

LaBerge: Was she American or Swedish?

Peterson: She was Swedish too, Anna Johanson. So my mother was of course not only very delighted to have her there, but to catch up with the news about all her sisters, because she was the only one left in Sweden. Her five sisters were in the United States, and had been for some years, along with her brother.

So she of course, along with my father, were also very interested in the United States, and all these immigrants here. And in the meantime, Aaron and Anna had been married for five years I guess, and no children and apparently no prospects of any.

Mother had apparently, from time to time, commented about, oh, if only one of her children could grow up in that wonderful country. I had a very attractive little three-year-old sister. So at some stage along the way, they suggested they would love to take Esther back with them when they left in the fall.

Mother thought about it and said no, Esther would understand what was happening, and it would be too emotional. So fortunately, Anna apparently, as I gathered later, was tactful enough that they let that drop. And then as fall approached, somewhere along in the conversation the discussion came up, could they have the baby? Could the baby be brought back?

That apparently was succeeded by a period of uncertainty and lack of decision. But apparently my father finally decided that that was what Mother would really like. So he went down to the church and took out the adoption papers.



The Anders Pettersson Family, 1905. Standing: Hugo and Carl.
Seated: Signe, Anders, Ester, Rudolph held by his mother,
Amanda, Sten.



Aaron and Anna Peterson on their wedding day,
August 11, 1900.



Frances and Rudolph Peterson, 1907.

LaBerge: Is that how it was done, through the church?

Peterson: Yes, the church is the registry of everything.

Youngstown Colony, Ohio, 1905

Peterson: So the result was, I gather, that there were three or four rather emotional weeks before they left. But they brought me on, and we came through Boston and on back to Youngstown, Ohio, where they had lived for many years.

I might inject here, I received quite a thrill, because a few weeks ago my niece, Carl's daughter, who had grown up in Youngstown of course many years later, sent me the book celebrating the hundredth anniversary of the Swedish Mission Church in Youngstown, Ohio. I opened it up, and lo and behold, finally I turned to a picture of the first choir a hundred years ago in the Youngstown Mission Church. Here were my mother and father, Anna and Aaron, and that's where they met. They had met at choir practice.

LaBerge: You know, I have read a little bit of that story before, but one thing I wondered was, looking back on that, what was it like to have two sets of parents? And how did you feel when you found out that you had two sets? Were you happy that you had grown up here?

Peterson: I did not know when I discovered I had two sets of parents. Anna apparently decided that she would, as fast as I could understand, make it very clear that I not only had two sets of parents, but also all these brothers and sisters. She did it so well that when I started school, I was already reading and writing notes to my parents in Sweden at age five and a half. And later to my brothers and sisters.

If I recall correctly, clear up into high school she was regularly checking with me as to how long ago since I've written home to Sweden.

LaBerge: That's wonderful.

Peterson: But she was the one that saw to it that there be no question I would understand who my whole family were, including all the aunts in America: two of them were out on the Coast, and one in Michigan, and one in Connecticut, and one in Youngstown. I was kept very conscious of my whole family.

LaBerge: Well, it sounds as if both--in Youngstown, and then when you came to California--there was this wonderful community that you belonged to anyway that was kind of like a family.

Peterson: That's right. Would you like me to comment on that? Because we didn't stay long in Youngstown.

LaBerge: Yes.

Swedish Community in Los Angeles. 1906-1912

Peterson: Apparently, my folks--Anna and Aaron--I don't know whether they had known that the reverend at the church in Youngstown had been out in California, but I suspect that was news to them when they came back. He had taken an option on some land, just about three miles south of Turlock off [Highway] 101, and was discussing with the members of his congregation whether they would like to go out there and become farmers in that area.

In any event, within the year, Reverend Bodine had a trainload of Swedes from his two congregations. One was in Youngstown and one right over the border in Bessemer, Pennsylvania. And, he was taking them out to Turlock to purchase and take over this land on which he had options.

So Aaron and Anna had decided that they wanted to come out to California where Anna had a brother and Aaron a sister, both in Los Angeles. So we were on the same train, and we left them at Odgen, Utah, where you changed the trains to go to Los Angeles or you stayed on to go to San Francisco.

[Upon arrival in Los Angeles we were the guests of Solomon Anderson, Anna's brother. They had a nice guest cottage in the back of their generous lot which provided us with a temporary home. Meantime, Uncle Sol had learned that a large piece of adjoining property with a house on the far end of it was for sale and available for occupancy. So in due course we, of course, moved in.

This turned out to be a kind of fun section to live in for several reasons. It was kind of at the south edge of the more intensive part of Los Angeles at that time. Just a block away was a prominent east-west street, a cross section of that day known as Vernon Avenue. Vernon Avenue was the first stop out of the center of town of the fast red electric cars headed south to Long Beach and Redondo Beach. So Mother Anna would gather up a

group of us youngsters in the neighborhood and take us out to the beach for the day. These gatherings not only included my cousin next door, but some four or five children from two other Swedish families in the same block with us.

Another contribution to this happy neighborhood was a Spanish family with a couple of boys our age just beyond this collection of Swedish homes. They owned most of the rest of that block. More important, beyond their house was a great big barn and a couple of storage sheds. So here was a perfect setting for our games such as "hide-go-seek," "knock the picket," and the rest of the assortment. Across the street was a large tract of open land on which this Spanish family raised melons, vegetables, etc. So there was plenty of room for recreation.

Eight or ten of us from these four Swedish families were all preschool age, so along with our two Spanish friends we played together and saw a lot of each other. I also recall that with Swedish the official language in each of our homes, we had a lot of fun practicing our English between us.]¹

Vernon Avenue Elementary School

Peterson: So that leads up to starting school. Having been born in December, Mother decided in the summer of 1910 when I was five and a half years old to take me down to kindergarten. Kindergarten took one look and said, "No, we don't want him, he's too old." So she went in to see--turned out to be this wonderful Miss Taylor in the first grade, and Miss Taylor said, "Sorry, he's too young."

Anna said, "Well, I've just been to the kindergarten; they won't let him in there." Miss Taylor said, "Well, I'll take him."

This was a few days ahead of time, so the first day of school, Anna had arranged to have this lovely young girl--I imagine fifth, sixth grade or so, neighbor--take me to school. In those days, of course, we had to buy all our books and pencils and paper and everything.

¹Bracketed material added by Mr. Peterson during the editing process.

So we left early enough, and I do remember this very distinctly. There were a lot of people in this bookstore. And so finally--

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LaBerge: Okay, the fifth or sixth grade girl told you to go on to school--

Peterson: To go on over to my class, "because otherwise you'll be late, and then I'll come along." And in due course, she came into the room, and gave me the pencils and the paper and the books and whatever I needed, and gave me the change, and said, "Now, give this to your mother."

My English was faulty enough so that I'm sure she said, "Be sure to give this to your mother when you go home," which I just caught as, "Give this to your mother." So I got up and went home with my change to my mother. [laughter] And my mother said, "Well, you don't belong here," and she sent me back to school.

When I came back and sat down, I can remember Miss Taylor asked me to come up to her desk, and then she explained to me, slowly I'm sure, that when I wanted to leave the room, to raise my hand. And then that would be just fine any time, but be sure and raise my hand, and let her know when I am going to leave the room.

Well, apparently at least I got myself into focus in her attention, so we got along very nicely from there on. I must have learned some better English, because at Christmastime, Miss Taylor brought me over to the second grade, and introduced me to the teacher and said, "Now, this is going to be your new teacher."

LaBerge: So you weren't too young for first grade.

Peterson: So at the end of the school year, I was ready to be promoted to the third grade.

LaBerge: Wow.

Peterson: And I mention that, not only because I--it's so clear in my mind, I can't resist it. But I have a feeling that part of the reason that I got off to a head start was that Anna had been teaching me from probably age three or so, in Swedish, to read and write. I wasn't any smarter than the rest, but I was just

accustomed to absorbing what I was being taught. I think that's what gave me the start.

LaBerge: And once you know one language, catching on better to English was probably no problem?

Peterson: I found that out later, when Pat and I were in Mexico, and we were being tutored in Spanish. I was getting along fairly rapidly with my Spanish, and I said, "You know, it must be that, except for two or three letters--" in fact, the Swedish alphabet and the Spanish alphabet are exactly the same in pronunciation. He said, "No. Your ear has been accustomed to two languages all your life. That's why you're getting it."

LaBerge: It's a real plug for having children learn their other language in the home, whereas I think a lot of people have not taught their kids--

Peterson: Well, and it's the same thing that my stepdaughter, who is kind of working in the grammar schools in Piedmont, three of them, with the youngsters in the biosciences--that's why these youngsters become curious. She of course says, "That's the reason why we should have more science at the grammar school level, because these curious minds absorb and understand and become interested."

LaBerge: Well, do you have any other memories of those early years at Vernon Avenue School?

Peterson: I, of course, left when I was in the fourth grade, and [laughs] it seemed to me that--my only other thing I'm really conscious of was entering into the games around the first and second grades. I sometimes blundered there, because I didn't quite understand their English slang.

LaBerge: And you were younger than people in your class, because you were young to start with.

Peterson: Yes--by the third grade I was still six with all these eight-year-olds.

LaBerge: Were you an athlete or--?

Peterson: No, no. I just came along.

LaBerge: Just came along and played whatever everybody else--

- Peterson: That's the story of my life. [laughs] No, I was all for getting into anything I could when it came to athletics, but I was never an All-American.
- LaBerge: So by this time, did you have younger brothers and sisters? Did Anna and Aaron have other children?
- Peterson: As a matter of fact, I would like to take a little credit. By the time we got on the train with Reverend Bodine, we had a little girl, an infant, with us. Frances was born. She must have been born not much more than nine months after they brought me over. [laughs] So, yes. She was an infant when we came to Los Angeles.
- LaBerge: That often seems to happen, doesn't it, with people who adopt children?
- Peterson: That's right. Tom Clausen next door here adopted a boy, and then they had their own. They have two sons.
- LaBerge: So it probably is to your credit. [laughter]
- Peterson: Oh, I'm not so sure.

Move to Hilmar Colony, Turlock, 1913

- LaBerge: So when did you move to Turlock?
- Peterson: [I think quite early in 1913. While Father Aaron had worked in the steel mills in Youngstown, upon arriving here, he apparently had learned enough of his father's hobby of woodworking to become quite a carpenter. However, employment for these six years had been pretty spasmodic, so in between jobs, he successively built two more homes on this large corner lot we had purchased. As each new attractive home was completed, we sold our house of the past and moved into the new one. In the process, there also turned out to be room for a delightful playhouse. This provided an alternative setting for neighborhood games to the Spanish family's barns.

Meantime, I gather correspondence with Aunt Esther and Uncle John on the possibility of moving to Turlock had been going on. So, when the word came that the ranch next door was for sale, it was decided to move on. Fortunately for Frances and myself, they had a daughter and son just a year older than

each of us. So we had the prospects of growing up together, and did.]¹

Well. Hilmar was an interesting place. First I should say that Turlock at the turn of the century had become an immigration colony, primarily Swedish.

LaBerge: Do you think that was because it was farm land?

Peterson: Oh, yes.

LaBerge: I mean, because it's so far away from New York where you might--

Peterson: See, Turlock Irrigation District was the first one formed in California. A combination of citizens, including these Swedes, built a dam on the Tuolumne River. They had a bond issue of \$300,000, and with that, they built the dam, and on the Turlock side of the Tuolumne ran canals all the way down to this area below. In the course of eight, ten years, what had been dry farming, where you'd raise grain, became a collection of forty-acre farms--anywhere from twenty to eighty, but average of about forty acres.

[Many of these moderate-sized farms were a combination of a small dairy and melons or peach orchards, or a favorite was a Thompson Seedless grape vineyard to produce raisins. If the price of melons or fruit was poor for a year or so, there was always the cream check from the dairy every two weeks. You could still feed the family.]²

The interesting part of that whole community was, as I grew up, I realized nobody was very rich, but nobody was poor. By 1913, it had become a well-established community.

LaBerge: So did Aaron stop doing building?

Peterson: He was very busy farming, but did take time out to build our home and barn and usual utility buildings.

As I said, we were out in what was known as Hilmar Colony, six miles south of Turlock. By 1913, we have a book that's written about that Turlock area by a high school teacher collaborating with a professor of history at the University of California at Berkeley of the development of that area. I think

¹Bracketed material added by Mr. Peterson during the editing process.

²Bracketed material added by Mr. Peterson during the editing process.

the official population of Turlock was something like 1,500. But this book points out, and I'm sure it's responsible, that within an eight-mile circle of Turlock, the population was 30,000. I would estimate that 70 to 80 percent of those were Swedish immigrant families.

Well now, getting down to Hilmar--

LaBerge: Can I interrupt you for one minute? What's the name of that book, do you know? The book about Turlock?

Peterson: Streams in a Thirsty Land.¹

History of Hilmar Colony

Peterson: It might be interesting in passing: while Youngstown Colony is not now full of nothing but Swedes, it is still called Youngstown Colony. Now, they don't have their own school and their own church, but it's still identified.

Hilmar Colony is due south of Turlock. The center of it is now the town of Hilmar, which didn't exist at that time. It starts about five miles due south of Turlock, and goes on down to the Merced River.

In about 1902, a Reverend Andrew Halner and Reverend Hultberg helped promote what became the Hilmar colony. Incidentally, Hilmar is the name of Reverend Hultberg's oldest son. Andrew Halner, interestingly enough, had owned one of the few large ranches right across the road from us, known as the Halner Ranch, and the road that ran in front of us was known as the Halner Road. It was a road that went all the way into Turlock, straight and north, about six miles out. Today it is the "Country Club Road." The country club is part of the ranch that Aaron leased and farmed during World War I.

Reverend Hultberg had been one of the early Swedes that discovered gold in Nome, Alaska, and by 1902, he was mining up in Nome in the summer and selling real estate in the winter down in Hilmar. He had the advantage, because he had come to Alaska as a missionary in the--oh, I'd say a bit beyond the late 1800s.

¹Helen Alma Hohenthal, Streams in a Thirsty Land: A History of the Turlock Region (Turlock, CA: City of Turlock, 1972).

He was up in a native community just south of what later became Nome. There he had met these other two Swedes.

My understanding is not clear what they were going to do. But in any event, they got into mining. In other words, he came to Alaska to do good and did well. [laughter]

In his earlier days, he had been the minister in one of these immigrant settlements in the Midwest, you see. But of course, those settlements were in touch with each other, and he knew where they all were. They were usually identified also with the Swedish Mission Church, now the Mission Covenant.

So he wrote to his friends and told them about this wonderful set-up they had out there in Hilmar. Some of those church communities had newspapers, so he also ran ads and attracted enough interest, so that by 1905 and 1906, Hilmar was quite a settlement. I suspect that between all the forty-acre farms over the area I've talked about, there must have been probably the better part of five hundred or more farms.

Schoolhouse and School "Bus"

Peterson: Until 1910, they had little one-room schoolhouses all through this area, and in 1910 they decided to consolidate into one school district. When I was in grammar school--Hilmar wasn't established--I'll go into that later. They acquired quite a piece of land next to the village of Irwin City, one-half mile south of what is now the town of Hilmar. It must have been some twenty acres.

[Next to Irwin City, they built an eight-room, two-story school house. On the first floor was the new Hilmar Elam Union School. With two grades in each of the four rooms this took care of the young students from all these little one-room school houses. I should mention that with this consolidation of schools we crossed the Merced River to the south. The community of Stevenson was included with the so-called Hilmar colony area. There would have been about ten to fifteen students per class for a total of probably 120 or so in the school. So even though each teacher had two classes there was still time for a quite personal relationship.

My recollection of the grammar school was quite routine until we reached Miss Martin. She had the fourth room with the seventh and eighth graders, and in her spare time was the

principal. We must have been about twenty-five to thirty students in the two grades. However, there was an intimacy and intensive teaching that I am sure made most of us feel as if we were getting truly personal attention.

In the four rooms upstairs, they established a new high school. Turlock's high school (eight and a half miles to the north) had been the only high school available. By the time we came along there were probably 120 or so students in the grammar school and some seventy-five or eighty students upstairs in the high school.

Transportation to both schools consisted of riding in the back of a wagon that had long bench seats on either side and was pulled by a team of horses. Students from both schools were eligible to ride in the wagons. The farm land was laid out in one-mile square blocks, with an area of six or seven miles north and south, by four or some five miles east and west. This made for quite a number of blocks. With only three or four school wagons, obviously some sides of these blocks were left without transportation which meant some of us had to walk a mile or more to board the wagon and that brings up a family anecdote.

Shortly after our arrival in Hilmar, father Aaron was elected a trustee of the school district. In one of the meetings, he expressed his concern over the fact that many of the children would have to walk up to a mile and a half to get around to the side of the block where the school wagon came by. The children of the two Peterson families qualified on that score. His observation was that after walking one and a half miles in the rain they might be better to walk the rest of the way rather than sit and shiver in an open wagon.

In due course, it was decided to extend the route of some of the wagons. In our section, the route was extended to a turnaround in front of the Peterson ranch. Dad was furious! Probably a Swedish sense of humor on the part of the trustees. Fortunately, within a matter of months the transportation changed to Model T Ford trucks with, again, long benched seats down the sides. So now we were riding in style, with much less walking.)¹

And before I leave the transportation, times moved on, so by I'd say 1915, after a couple of years, we got Model T Fords, chassis, and then they built a couple rows of seats on top of

¹Bracketed material added by Mr. Peterson during the editing process.

those. So we were riding in style on Model T Fords by the time I was in about the sixth grade.

LaBerge: Sort of the first school bus, probably.

Hilmar High School

Peterson: But when we move on into the high school, the attention and direction we were getting was very obvious. We had a principal, Herbert Kittredge, who also taught math. By the time I graduated, he had left. I don't remember the circumstances. But he lived at Berkeley; he used to drive up to Berkeley weekends much of the time.

LaBerge: Do you think that's where the Kittredge Street comes from? You know in downtown Berkeley, there's--

Peterson: No, I don't think so. My recollection was they lived on Bancroft at that time.

##

LaBerge: Okay, we were just talking about your principal, Herbert Kittredge.

Peterson: Herbert Kittredge. When he left Hilmar High, he came up here to Lowell High School, and I was told later was a very senior and outstanding person there. But the important part at Hilmar High School was he was not only an outstanding mathematics teacher in everything from algebra to trigonometry, but he was such an outstanding principal.

About once a month, he would call all seventy or eighty of us together and say, "Well, it's time for a little fatherly talk." That consisted of whatever was of interest that might be happening in the school. The real purpose of that talk was to discuss with us the importance of continuing our learning and our education process beyond the high school level.

This was done with his delightful sense of humor. He did it all so interestingly that we never felt there was any repetition. Each one seemed new and different. I felt in some ways that was why, even in the twenties, Hilmar was sending some 75 percent of its graduating classes on to higher education. I remember the comment was that for Turlock, Merced, Modesto, in those days around 15 to 20 percent was maximum.

However, he had some help. Our science teacher was Mr. Sykes, whose son was a professor of science at Stanford. So he wasn't dull, either. And of course, that meant that biology, chemistry, physics--we got those all in succession from Mr. Sykes.

LaBerge: I wondered what classes you had. So you had three years of science?

Peterson: Yes, three years of science.

Well, I can only from a personal standpoint say that Mr. Sykes not only had me hoping and planning to go to Stanford, but my mother, Anna, was very pleased because I had by that time decided that I would be a pre-medic at Stanford. But medicine was spared.

LaBerge: [laughs] Did you like your science classes?

Peterson: Oh, I loved them. But I saw in retrospect later that this was not necessarily my cup of tea, mostly because I was so clumsy. To make that story short, when the time came to go to college, raisins were two cents a pound. They had been eighteen cents during the war. Corn was again less than half what it had been during the war. In other words, it was a complete extreme. Raisins at five or ten cents a pound, fine, but not two cents. So I just told my dad, "Forget it. I'll go to Cal, to Berkeley." My older cousin Ted already was there. Get a hashing job and there's your board and room.

But again, as I referred to in the grammar school, the intensiveness and the interest and the caliber of the teaching was such that I felt the high school also gave us a tremendous head start. Years later, we were so concerned when our own children were ready for high school. My bride had grown up in Sonora, which was much about the same thing and it was much older. We said, "Gee, if we could just find a private school that could match the two high schools we attended."

LaBerge: So what did you find?

Peterson: Well, Linnea [Peterson] went to Anna Head's. But later I was asked by the bank to go to Los Angeles to take over another situation that Transamerica had, so she only had one year there. Price [Peterson] was still in grammar school.

LaBerge: So then you had to find schools in Los Angeles?

Peterson: She went to a Catholic school near where we lived out in West Los Angeles, so she went to a private school there. At the end of her second year, she said, "You know, I think I'd like to go to Uni High," University High. So we said, "Wait a minute. You've got straight A's," which she'd pretty much had at Anna Head's, too. She said, "Yes, Dad, but I haven't learned anything. We're not working."

Where were we?

LaBerge: Okay, we were talking about high school, and obviously the principal was a big influence on you. Any other teachers besides him and Mr. Sykes?

Peterson: Well, the others were also competent. Miss Ostrander was our teacher of history, and we had three years of history. She later wound up in one of the major Oakland schools.

But again, she was a middle-aged lady who had had a good deal of experience. I guess it was the small classes, and we spent a good deal of time in discussion. And she encouraged that sort of thing.

Sunday Dinner Discussions from Immigrant Perspective

LaBerge: What was it like growing up during World War I? Did that have an impact on you as a teenager, or--?

Peterson: Well, World War I of course had quite an influence on the social life at home.

LaBerge: And obviously economics, when you were saying how much raisins were during the war and how much they went down.

Peterson: But the social life among Swedes, as we later found to be true in Sweden also, was Sunday dinner, the big occasion. And usually, we never sat at a table with less than a dozen, either on our ranch or somebody else's ranch. Ours was rather interesting, because having come from Youngstown, our dinners were divided between ranches in Youngstown and Hilmar Colonies. Naturally Anna and Aaron had more friends in Youngstown Colony. They knew everybody there, of course, from their youth.

So then following the typical dinner, the ladies would adjourn into one gathering, and the men in another, typically out in the garden. From then on, the discussion would start.

They were very serious immigrants, and they were in a new country.

So between the experiences many of them had had in their early days in steelmills or carpentry or whatever, they had a lot of stories to tell, and they never suffered in the telling. Then, after a couple or three stories, they would get on to the subject at hand. This was serious business for them.

[Most of these men had grown up on relatively small farms in Sweden. There the number one son was the heir apparent. So numbers two and three had to move on to make a living. However, many of them, like my grandfather and, in turn, Father Aaron, had frequently learned a craft while growing up, such as cabinetmaking. Hence, they readily qualified for work as carpenters, machinists, whatever, when they came to the U.S.A.

This background gave them particular interest in the labor movement which was just getting underway. IWW [Industrial Workers of the World] was already fairly active. The AF of L [the American Federation of Labor] was just getting underway. This promoted some very active discussion on what should be the objectives of these organizations. The employer was entitled to a solid full day's work. There could be no counting of bricks or limited prearranged standards as far as work was concerned. In turn, there were the many issues that go with equitable compensation in various trades. The eight-hour day was pretty well established along with the five-and-a-half day week.]¹

LaBerge: Now, I take it you, as a young man, went with the men's group?

Peterson: Oh, sure.

LaBerge: And did the younger children go with--

Peterson: As a young man--remember I was ten, eleven, all the way up to sixteen.

LaBerge: But then did all the male children go with the men's group?

Peterson: If there were several other male children around, we would probably all be busy together. However, more often parents with their larger families would leave their children at home, whereas Aaron and Anna always brought Frances and myself to these dinners. Hence, quite often there was only a couple of us and so we would join the older men and listen.

¹Bracketed material added by Mr. Peterson during the editing process.

LaBerge: And you must have enjoyed it, or you would have gone out to play.

Impact of World War I

Peterson: Well, imagine when--you spoke of World War I. This was getting underway by 1914, it already had started. By '14 and '15 was the United States becoming very interested. You already had a measure of division in Sweden. Historically there had been the tendency among, I would say, the business community and maybe the wealthier people to lean over on the German side, and the rest to lean on the Allied side.

Well, you had a measure of that here, so there was some pro and con going on. But the "should we be involved," or "was this justified," and they, of course, as citizens were terribly concerned. Some of them had, the older brothers of my pals, that would be eligible, when Mr. [Woodrow] Wilson announced that he was going to keep us out of the war, all these Republican farmers became Democrats--at least leaning that way.

But the fascinating thing to me along with that was that as best I could remember, I don't think any one of the older brothers of my friends ever was drafted. They all enlisted. It was no question, once the decision was made, they accepted that decision.

LaBerge: It's amazing to me that you were so young, and you were in on these discussions, and you remember all of--it must have made a big impression on you.

Peterson: [It did. They were real discussions. Another current event that received attention was the Spanish-American War. What were we doing down in Mexico? It was their country. Why should we interfere?

Then there was quite a domestic issue over the pricing process--particularly on our farm products. If it was truly a free market, why was there such drastic change in the price from year to year? Fresh fruit might be pretty volatile, but why should the price of staples like Gyp corn, beans and raisins vary so much? Was there some hanky-panky going on among these commission merchants?

These are just a few samples. There never seemed to be a lack of events or issues available for discussion.]¹

LaBerge: Another thing that came to my mind is you were really the youngest child, but you were raised then as the older child. You know, there are so many stories about what your place in the family is--

Peterson: That's right. Well, obviously, the older I get, the more I appreciate Anna--this was such a big thing to her--having my family part with me and let her have me. She spent her life making up for it.

LaBerge: It was a big responsibility and honor.

Community Spirit

Peterson: It was a responsibility, and she was going to make the most of it. And that wasn't difficult, because I must say in that type of environment, if anybody was sick or anything happened, they'd have food on the table in their home if the mother was ill. They took care of each other.

If a barn burned down, what happened? If he couldn't, they'd pool in and help pay for the lumber. There was no question, once the lumber was there, they all got together. The wives were together and cooked a big lunch, while the men were putting the barn back up. Also, I can remember in haying time, or at harvest time, they would come to our place, or we would go to their place. Maybe they did, but I don't remember anybody keeping track of time. You went over and helped to get it done.

In Los Angeles, I can remember as a little boy Mother taking me with her because she was bringing food over to some family who were poor--Swedes usually. She was always keeping track; there seemed to me four or five families that we would periodically keep track of, if somebody was sick, and needed help of any kind.

When you get into this Hilmar-Youngstown atmosphere, that's on farms and where they are together and just normally took care of each other.

¹Bracketed material added by Mr. Peterson during the editing process.

LaBerge: That's wonderful. Is there a Youngstown Colony in California in addition to Ohio?

Peterson: Yes.

LaBerge: Okay, so that's what you were talking about. That's what I thought.

Peterson: This is the area on which Reverend Bodine had taken an option, from our rascal Hultberg [laughs] on what must have been the better part of 800 to 1,000 acres. It was a large section, but not as big as Hilmar. And then that was divided up into somewhat smaller farms than in Hilmar Colony.

Youngstown was not as much dairy. It was more fruit and vineyards and that sort of thing. That whole area was a rather light, sandy soil. I think it was the third year after the Youngstown Colony had been settled. So it meant their orchards were almost full-grown, and the following year would be ready for harvest--peaches and apricots and such. A big sandstorm came in. I remember the story of how after this sandstorm was through, the trees were all down on the ground. They had to start all over again.

But where we were, out through Hilmar, there was a little more loam in the soil. It wasn't as light and sandy. [tape interruption]

Farm Chores

LaBerge: We're back in Hilmar. I'm wondering what kind of farm chores you had growing up.

Peterson: Various chores.

LaBerge: Chores around the house.

Peterson: [My chores around the house were pretty well confined to my very earliest years. My help was, at best, limited either to setting the table or straightening out my room.

With the sizeable dairy for those days of fifteen to twenty cows, Father Aaron was anxious to get me into training. While I started off in my early years with hand-milking three or four cows, by the time I was twelve I'm sure I was handling my full share. Then there were the calves to be fed with milk. In

those days the diet for both the cows and the horses was confined to alfalfa A, so as I grew older this also became an assignment as long as it didn't interfere with my school schedule.

However, the real assignments came along during Christmas and summer vacations and on Saturdays. In the winter and spring there was plowing and cultivating to be done with the horses. In the summer was haying season. There were at least five cuttings of the alfalfa, along with curing it and hauling it into the barn. This work was, of course, contemporary with my high school days. However, I am sure that the responsibility of being out and alone with horses and equipment brought on a sense of responsibility and possibly some measure of resourcefulness and initiative.]¹

LaBerge: So you did this in addition to your schoolwork and whatever extracurricular activities.

Peterson: Yes.

LaBerge: What extracurriculars did you have?

Peterson: At school?

LaBerge: Yes.

Peterson: Of course, I was fairly active in the normal participation in school activities. I was student body president for my senior year and that sort of thing.

LaBerge: Did you play football?

Peterson: I played football, but I mean, that was pretty amateurish there, being a small school. But baseball was the big deal there, and I played first base for at least two or three years.

LaBerge: And what language did you take in high school?

Peterson: That was interesting: I took a year of German, and then they made it illegal with World War I. They wouldn't teach German. And that would be my sophomore year. So thanks to my English teacher, my junior and senior year I took Latin.

LaBerge: I was wondering if you had had any exposure to Spanish before you got to Mexico.

¹Bracketed material added by Mr. Peterson during the editing process.

Peterson: No.

LaBerge: Well, during this time, when you were still writing home to Sweden, did you ever go back to Sweden?

Peterson: I didn't get back to Sweden until 1930.

LaBerge: So had you met your brothers and sisters or your parents?

Peterson: Not--not even Carl until we joined on the Kungsholm in 1930.

LaBerge: My goodness.

II PATRICIA PRICE PETERSON

Meeting Pat and Working in Lassen County

Peterson: I brought my bride home in 1930.

LaBerge: So that was the first time you laid eyes on Sweden or your parents--wow.

Peterson: But I've made up for it since.

LaBerge: I guess so! [laughs]

Peterson: But we were back there all summer.

LaBerge: Even though that's skipping a bit, do you want to tell that story, because that would give us about a half an hour more, of meeting your wife and your trip back to Sweden?

Peterson: That's fine. Well, I met Pat at Cal toward the end of my sophomore year and her freshman. To be honest, I had seen her on the campus and was quite intrigued with what I had seen from time to time. I thought she looked interesting. That year, they--

##

LaBerge: Okay, Cal had introduced--

Peterson: Yes. About once a month, there was a special dance in the student union, primarily for freshmen and sophomores. The purpose was to get acquainted. So there was a generous curricula of tag dances in the process.

LaBerge: Now, for people who don't know what a tag dance is, will you explain that?

Peterson: Yes. If you see the girl that looks interesting, you go tag the guy who's dancing with her. [laughs] And this occasion had a name, and it kept on for several years, but I can't remember it. The objective was to get us acquainted. We were told, "Please come on your own, don't come with dates."

And the result was that groups of fellows and groups of girls came to this tag dance. And believe it or not, about the second one, here was Pat dancing with a guy I knew, so that made it even easier. [laughter] I knew him casually, from Eureka, and in my class. He was also a sophomore.

So with that, I met Pat. And needless to say, walked her home that evening. It was toward the end of the year, so we had two or three dates, dinner and dancing and that sort of thing. But we didn't see very much of each other, but enough to keep up correspondence during the summer.

That summer I went up in the woods, working up in Lassen County in the timber area. As a matter of fact, there was a threatened strike, and so the word came on the campus that this Fruit Growers Lumber Company would like to have some students go to work.

So we were there with about half the varsity football team on the train. It took us all one night to go up the Feather River Valley and then get on a bus. The train didn't go to Susanville at that time. You got on a bus and went on up to Susanville. And then of course the company brought us out in the woods.

Fortunately, three of us had finished breakfast early, and walked out. The superintendent of the woods was out there waiting, looking for some people to go to work on the locomotive crane. The locomotive crane had created a wreck the night before, and so he had fired the whole crew.

[This locomotive crane went back and forth on the railroad trackage through the woods on which the logs were hauled down to the mill in Susanville. Its primary mission was to clear up wrecks and other mishaps along the right of way such as the flatcars going off the track, or other emergency situations. We were, of course, merely to be the ground crew under the direction of an experienced boss.]¹

¹Bracketed material added by Mr. Peterson during the editing process.

Well, the result was the three of us went to work on the locomotive crane, which was a big break. The rest of our gang went out chopping brush and such, clearing a way for the trees for the cutting, and also cleaning up after they'd been cut.

And [laughs] fortunately, I had a break there, because the fireman was a British chap, who was a bit disgusted with the way things were done particularly by the engineer. So I kept my eye on that job. I could see within the first couple of weeks they weren't getting along.

So in the meantime, I'd watched how it was done, so I was selected to be the fireman. My motive there was very simple: the fireman had to build up the steam pressure, so he got paid for a half hour more than anybody else in the morning, and he had to bank the fire under the boiler at night for the steam, so he got an extra half hour at night. I got an extra hour's work. Besides, I didn't have to work very hard, if the pressure held up. [laughter]

Well, that's not the point that I started out--was that--so Pat and I kind of kept in touch during the summer, because we'd known each other.

LaBerge: By letter or whatever?

Peterson: Yes, by letter.

LaBerge: Because she was from Sonora?

Peterson: Sonora, yes. She's third generation mining and cattle families. Grandpa came through the pass, and Grandma came around the Horn in the early days.

LaBerge: Yes, I know that there was a story there, too, having something to do with Alaska and--

Peterson: Yes, oh yes. As a matter of fact, this rascal who did well, he was one of the three Swedes.

Gabe Price and the Swedes in Alaska, 1890s

LaBerge: That you talked about with Reverend Hultberg.

Peterson: Her uncle, they met her uncle, who was a relatively young man, I think he was in his thirties then. He'd been running the Utica

mine for Mr. Lane here in San Francisco, who was by marriage related to the Price family.

Well, Mr. Lane, about 1890, had decided that it looked like the mining was tapering off. So he sent Gabe Price up to Alaska to look over the situation, because rumors had been coming out that there might be some gold around up there.

LaBerge: Is Gabe the uncle?

Peterson: Gabe Price is her uncle. Tilden is her father, and Till was the kid brother.

And so Gabe was up in Juneau looking around that area when these three Swedes come down to Juneau, which was the capital, apparently to get some information of what do you do to file claims for mining and such. And they met Gabe, and apparently decided not only that he knew something about mining, much more than they did, but he could be trusted. So they asked him if he wouldn't go up with them.

He said, "Sure." So he went up with them to Nome, and Gabe told them, "You've got something here. So let me file the claims," and they selected the areas that Gabe thought would be good, and he filed the proper claims, filled out the forms and such.

I don't know whether they had the officials there or whether he had to send it down to Seattle, but anyway, he got everything set. And as I get the story, after it was all set they said, "But you didn't file--there's nothing here for you." He said, "It's yours."

And they said, "Oh, no, no. You've got to file for yourself." So he filed two claims, one for himself and one for Till, his younger brother who became my father-in-law later. So he got them all set up, and then of course he communicated with Mr. Lane. He came back down here, but then as I gather, they made arrangements for someone else to continue on at Utica, and Mr. Lane agreed that he should go on back up there.

When he got back up, it was a small village, but apparently they needed some planning, so he laid out the town of Nome. He was an engineer. Which was not a big deal, but--.

Then they went on to mining, and obviously he had been correct, because the results were very interesting. The Swedes did very well, and so did Till and Gabe.

About that time, we were setting up our government offices up there. There was another story to that, too. Apparently, some politicians got up there and got into office, and so along about approaching 1900, they apparently didn't dare question the claims that the Swedes had, but they did question Till and Gabe's claim, and brought it into court.

Well, as a matter of fact, they did more than that. They apparently practically tried to appropriate the mines, take them away from them. Gabe managed to sneak out to Seattle, and get the proper authority legally that stopped them from moving on.

Meantime, it became exciting enough, so Rex Beach wrote a story on it. Did you read any of his books?

LaBerge: No. Rex Beach?

Peterson: Yes. Rex Beach had written stories about the Indians and the early settlers in the U.S. This is when I was in high school-- it was ahead of [Jack] London. They were quite popular. But there's a book, The Spoilers,¹ which is the story of these politicians trying to take the mine away from the Price boys, and the litigation that followed. Apparently it was a little on the rough side. In those days, they didn't necessarily wait for the lawyer at all the times.

Price Family History

Peterson: [Not long after the Price boys had gone up to Alaska, events were unfolding in Spokane, Washington. Patricia's future mother was a young girl who had just graduated from Annie Wright's in Tacoma. This girls' finishing school was quite famous then and I understand is still going strong. More recently, an accident had occurred and she had lost one eye. Naturally, she was in an emotional state and her mother, for instance, (who became Mummy to all of us) was looking for an interesting activity to occupy Winifred's time, for the time at least. About that time she learned that her sister and husband with their two small children were going up to Nome, Alaska to manage the new hotel. It occurred to Mummy that this might be an interesting experience for a young girl and, besides, she could give a hand with the two young cousins.

¹Rex Beach, The Spoilers (New York: A.L. Burt, 1906).

It seems that not long after their arrival in Nome a small telephone system had been completed with, I gather, some thirty to forty extensions. Apparently, the gentleman who had set it up was looking for a telephone operator.}]¹

So he got a hold of Winn and said, "Winn, would you operate these telephones?" So she was the telephone operator, but she said the important thing was that she was in a very attractive little house where the telephone system was, with a great big stove. And it was the only real warm place in the winter for the single men to gather. [laughs]

So that they, including Till Price, were--so she got to know them. And of course, that's where Till and Winn's romance started. Eventually they came back down here to Spokane, Washington, Winifred's home.

And it was kind of interesting, because of Winn, we wound up, Pat and I, in groups who had been up in Nome in those early days. This was particularly when we were on our way to Sweden and were being entertained in New York at several such gatherings. And, suppose at these gatherings might have been a couple of the wives present. Winn always used to defend them--she said, "Those girls that came up there, this was adventurous and looked interesting. And when they got up there, there was nothing for a girl to do but to be a dance hall girl." So she always defended--she said, "They're not the ordinary sort."

[The author, Rex Beach, of course became a good friend of Winn and Tilden Price. So, in later years they would have lunch or dinner together in San Francisco. However, Mrs. Beach never joined. According to her husband she was either indisposed or had some other appointment. But, obviously, she had been a dance hall girl up at Nome.

Later when they settled down in Florida, Winn did read about her very active social life there. Winn pointed out that that was a very logical sequence because she was a very attractive and decent lady in every way.}]²

LaBerge: Good.

¹Bracketed material added by Mr. Peterson during the editing process.

²Bracketed material added by Mr. Peterson during the editing process.

Peterson: Well. This kind of explains why Mr. Hultberg, they had done rather well with their gold mining, and why he was spending his winters down here selling real estate.

LaBerge: And isn't that a coincidence that your wife's family--I mean, there was all this interconnectedness.

Peterson: [During the late twenties, we would alternate weekend visits between Hilmar and Sonora. In both places the stories of the "early days" were fascinating. We talked about Hilmar. In Sonora we listened to those wonderful stories about mining in the gold rush days along with the start of cattle raising which, of course, continued. Grandma had come around the Horn and Grandpa cross country from Kentucky through Sonora Pass. They had met in Sonora and, of course, raised the family which included Uncle Gabe and Father Tilden Price. In later years we always stayed with Uncle Lee Price and family who really had been early starters in the cattle business. Incidentally, Till, after returning from Alaska had taken a tour on muleback with one of his old mining friends over the Andes again looking for some precious metals.]¹

LaBerge: Wow.

Peterson: That was after the Alaskan episode, but they were looking for--

LaBerge: Looking for more gold?

Peterson: Looking for gold metal, yes. Her father wound up as superintendent of the big lumber mill up there.

LaBerge: In Sonora?

Peterson: The town of Standard was just a few miles above Sonora and the site of the big lumber mills. The firm was called the Standard Lumber Company.

LaBerge: Did you ever go up to the Lair of the Bear, the Cal camp?

Peterson: I know where it is, but we never stayed over. Yes, it's next door to the lake at Pinecrest. When we later visited with the Prices in Sonora we would occasionally go up to the lake for the day.

¹Bracketed material added by Mr. Peterson during the editing process.

III COLLEGE YEARS, 1921-1925

University of California at Berkeley

[Interview 2: December 16, 1992] ##

- LaBerge: Last time when we finished, you had started telling me a little bit of your wife's background, and the relatives who went up to Alaska.
- Peterson: Oh, yes.
- LaBerge: But we hadn't really gotten into college and your classes and how you met Pat Price.
- Peterson: I see. Had I told why I didn't go to Stanford?
- LaBerge: Yes, because of the price of raisins and other prices! So why don't we start with--you were thinking about going into medicine, but you decided instead to go into money and banking. How did you choose that from other things besides medicine?
- Peterson: I think I had [laughs]--I used to say that I was much impressed by the car that the local banker drove, who also happened to be my Sunday school teacher on Sundays. But I think I was a little more serious than that.

Actually, I think it was just my impression from what little I'd seen that I was interested in the concept of working with new enterprises, and working with people. To some extent I presume there was a bit of the standing that bankers had in those days--they were kind of important people then. I think it was generally I had always been kind of a dreamer anyway, and thinking about different kinds of enterprises and that sort of

thing. It seemed to me that a bank provided pretty good bleacher seats for what was going on.

Well, as I mentioned earlier, the University of California was no problem because my next-door cousin on the ranch had already been there for a year, so I'd heard about the glamour of Berkeley, and I also knew that the fees were quite modest.

LaBerge: What were the fees?

Peterson: Thirty-five dollars a semester.

LaBerge: Wow.

Peterson: And then you made a \$25 deposit for your uniform with ROTC [Reserve Officer Training Corps], but that was of course returned to you after two years when you were through with your required military training.

LaBerge: And was that required for everyone?

Peterson: Oh, yes.

Well, I came to Berkeley with \$200 capital. My recollection was that when I'd paid those fees, I think I might have slipped in a couple of shirts and maybe a suit or something--and books, of course--I had somewhere between \$15 and \$20 left in the kitty, to start a college career.

But in the meantime, I had a job. I hashed at the Phi Psi house three meals a day, which took care of my board. And in my sophomore year, I lived in the Phi Psi house.

LaBerge: Where did you live your freshman year?

Peterson: I lived with a private family that had four students. It was really a widow with her three daughters, and she had a nice home in north Berkeley, and she rented out two rooms, very nice, each with a bath. It was a very interesting start. Here I was, from a combination dairy and fruit farm down in the San Joaquin Valley in 1921, when Turlock and Hilmar were quite a long ways away from Berkeley, at least in driving time.

My roommate was Tony Kennedy, who also had been short of money when he got ready to go to college. So he had been working for three years down in the oil fields of the Bakersfield and Taft area.

Well, you can imagine--the oil fields were always a pretty robust population, really men of the world, and pretty tough hombres. Here he had had three years of that kind of education, starting as an eighteen-year-old and was now about twenty-one. And now finds himself with this country bumpkin who was completely naive. He had a rather busy time. He gave me an education that you don't get in classrooms on what the world is about and how you're supposed to conduct yourself. I've said since I think I must have provided him with pretty good training because he went on to become an attorney and a lobbyist up in Sacramento, and had produced a nice family with two fine sons. One of those sons is now a member of the Supreme Court of the United States.

LaBerge: Oh!

Peterson: The Tony Kennedy that's there now.

LaBerge: You know, when you said Tony Kennedy, I thought, he's not that age, it couldn't be the same. Wow.

Peterson: Well, I'm sure that he brought them up right, after having practiced with me.

Well, I was simply completely excited. I mean, to start with, here I could get up at 6:30, hash at breakfast, and make an 8:00 class. And here I'd spent all my life getting up at 5:30 to milk cows. I was sleeping an extra hour and all this leisure. And of course, the social life was very much on the campus. The campus had a population of 8,000, so it wasn't that hard to get acquainted. I thoroughly enjoyed it.

Playground Supervisor in City of Berkeley

Peterson: Then, I spoke earlier of going up into the woods in the summer following my sophomore year, and when I came back, I had a reasonable bank reserve so that I joined the Al Ikwan House, which was the second oldest local--it wasn't a national. And Al Ikwan stands for the "brothers" in Arabic. One of my fraternity brothers, Hector MacRae, had been for several years supervising playgrounds part time.

The director of recreation at Berkeley was an official post, and of course, under his jurisdiction were various recreation areas. But he extended this to the concept of supervised play and recreation at the schools, the grammar

schools. For that, he utilized college students, practically all from the campus.

It made an interesting schedule, because you supervised the playground from 3:00 to 5:30, which of course meant that it did not interfere with your classes. Usually your classes were over by 2:00, or you could make some alternative. And by 5:30, you could have time to come home and take a shower and be ready for dinner.

So it took care of the duller part of your day. I was very fortunate: I was assigned to Cragmont School. It was kind of a fun place, because it was the cross-section of youngsters from homes such as you'd expect up there, particularly in those days.

LaBerge: And what kinds of activities did you do?

Peterson: Well, this was baseball and basketball and that sort of thing. Then one day, the principal came out and said, "What are you up to?" I said, "I don't know." "Well," she said, "the parents of the smaller children had wondered what was going on, because the children were not coming home at 3:00. When they asked, they said that they were having games with Mr. Peterson. Apparently you had something to do with these games going on."

Well, my preliminary training was at a couple other schools, and I always felt that it was kind of the teenagers that had all the fun, and there was nothing for the little kids. So I started to show them how to play hide-and-seek, and knock the picket, and all those things. So to answer your question, we had a pretty broad base from the first grade on, of activity going on throughout the school.

LaBerge: So you were the reason the children were staying after school?

Peterson: Well, it was my fault, yes. [laughter]

LaBerge: But how wonderful. I think I read somewhere that you considered going into that as a field.

Peterson: I enjoyed it so thoroughly that for a while I really thought maybe I'll change the major.

[Actually, the Extension Division of the University of California had evening classes in physical education and recreation activities and I attended some of these. To my surprise, some of the classmates were Berkeley policemen. These were the days of City Manager [John] Edy. This was a new

concept in city government and I believe Berkeley was the first city to adopt it. With a professional running the city instead of a politician, policemen went to classes at night and recreation became the assignment of a professional. All of it was so successful that in due course the larger cities started to follow. Likewise, years later Cleveland stole City Manager Edy from Berkeley.]¹

LaBerge: Well, I take it he was innovative in what he did.

Peterson: Very.

LaBerge: Did he institute this playground activity at all the schools?

Peterson: No. Well, I think he had hired the director of recreation. I think that concept was his.

LaBerge: I have a name written down: George Jelty?

Peterson: That's it.

LaBerge: Was he the director?

Peterson: Yes, he was the director of playgrounds throughout Berkeley. Some ten or fifteen years later I gathered that Los Angeles County had heard about his recreation program in Berkeley. I gathered he had really become the authority on recreation in southern California.

LaBerge: Well, how long did you have that kind of a job? Just junior and senior years?

Peterson: Junior and senior years, and incidentally, it was five days a week, but in those days, particularly on the earlier season football games, you were allowed to take your children on the playground to the Cal football game. So Saturday, I would sometimes take a bunch of them down to the game. And incidentally, speaking of the financial side, it paid me \$45 a month, and my house bill was \$45 a month, so everything was in balance. And I, of course, earned my spending money in the summer.

¹Bracketed material added by Mr. Peterson during the editing process.

Living Quarters

LaBerge: Well, now, you were living in the Phi Psi house, or the Al--

Peterson: No. In other words, I quit hashing when I had this job, of course. So my first two years, I was hashing, and the sophomore year I lived in the Phi Psi house.

LaBerge: But were you a Phi Psi member, too?

Peterson: No. I joined Al Ikwan, because they rushed me when I came back. In those days--oh, there must have been about a dozen local fraternities, as distinct from the "national." In due course, Al Ikwan was invited to join one of the nationals. Al Ikwan was number two agewise, and Abracadabra was the veteran. You were really a bit exclusive if you could be in the number one local.

LaBerge: So is that house still there?

Peterson: I'm not sure. We were on Haste, just in from Telegraph. I think we were on the corner of the sacred ground that--

LaBerge: People's Park?

Peterson: People's Park. I think that goes to Haste. If it does, we were--

LaBerge: It does go to Haste.

Peterson: Is the Berkeley Inn still there, at the corner of--is there a large building at the corner of Telegraph?

LaBerge: No, that burned down.

Peterson: We were right across from the Berkeley Inn.

LaBerge: Wow. Well, I was going to ask, what happened to your friend Tony Kennedy when you started living at the Phi Psi house and then joined Al Ikwan?

Peterson: Frankly, I lost track. I know he lived somewhere else there on the campus, after all, he had served his term. [laughs]

LaBerge: Training you your first year. Well, tell me about impressive professors that you had. Any special people who influenced you.

Memorable Professors: David P. Barrows, Ira B. Cross, Henry R. Hatfield

Peterson: Well, of course, my most impressive professor was the President of the University, David Prescott Barrows, whom I had in Political Science 1A-1B, in other words, the freshman year. At that time, your requirement was, as I recall, either history or political science, and I chose political science. I'd had three years of history, so I knew all about that.

And then, I presume Ira B. Cross in Econ 1A-1B would certainly come next. His was Monday, Wednesday, and Friday at 8:00. Obviously, he filled the--what's the auditorium of the main building as you came in the gate?

LaBerge: Wheeler?

Peterson: Wheeler Hall. He was a completely spontaneous lecturer. Both these gentlemen would have anecdotes to give you along with their lecture, which naturally livened them up. Ira B. Cross also would have comments to make on those who came in at two or three minutes past 8:00.

However, his favorite was the girls who started to kind of powder their noses and get ready to leave at about four or five minutes of 9:00. He would have comments then, and identify the thirteenth row, second seat from the aisle, so there was no question about it. [laughter]

But his anecdotal comments were also equally interesting. Later on, I had the privilege in smaller classes of having Ira B. Cross in foreign exchange, and more or less international courses of business.

David P. Barrows resigned as president of the University and went to Africa. By the time of my senior year, he came back on the staff.

LaBerge: Just as a professor?

Peterson: As a professor. He had spent the intervening time in Africa, and gave a course on, I think it was, European dependencies or colonies in Africa. Well, being David P. Barrows as I mentioned, he gave us fascinating talks about what had happened in a number of these colonies, but then currently what was going on in the transition process. And in the process, that would remind him of an interesting experience, or something anecdotal along the way.

So those lectures were marked by something I had not experienced before or since. As you may know we always, on the final lecture of the semester, applauded our lecturer. But with David Barrows, about two out of three classes at the end, the class of twenty or thirty would burst out in applause. He was the only lecturer I knew who was applauded all semester long.

LaBerge: And isn't that amazing? I mean, now students don't have the president of the University teaching them.

Peterson: Well, see, this is it. And so I had [Henry R.] Hatfield. There were more sophisticated courses that we would get in our junior and senior year. They were kind of analytical courses in economics and such. He was very thoughtful, not particularly eloquent, but he gave you basics. He gave you thoughts and related problems that were there.

Dean Cadman and E. T. Grether

Peterson: Then a course that shouldn't have been fascinating was the Theory of Economics on a kind of a sophisticated basis. In other words, you got up into the theory of various economic approaches, to the economy and the cross-section of business. He was also the dean of men.

LaBerge: Oh, [Paul] Cadman?

Peterson: Cadman, Dean Cadman. He--

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LaBerge: Okay, we're talking about Theory of Economics.

Peterson: Yes. These lectures were truly theoretical, but Dean Cadman made them fascinating. He brought them into real life, and had you trying to arrive at the answers. It should have been the driest of all lectures, and they were almost exciting.

I had one very interesting teaching fellow in Economics 1A-1B, which was two days a week. He was a graduate student, of course, and he taught, and I found him very helpful. Of course, he was a follow-up on Ira B. Cross, discussing in small groups of twenty or so. There we got into the give-and-take of discussing various facets of the lecture.

And I found him very competent, and apparently the University did, because he was the first dean of the new graduate business school at the University of California.

LaBerge: Oh, Mr. [Ewald T.] Grether?

Peterson: Yes.

LaBerge: Wow. His oral history has just been completed, and it's about this thick [motions].¹ I didn't interview him, but I helped edit it, and it is [laughs] real meaty.

Peterson: By the end of my freshman year, Greth had made a very special hit with me. He was the only member of the faculty who had ever stopped me on the campus and called me by name. He said, "I just wanted to tell you, you did a very conscientious job with that last final exam. You got an A." [laughs] I never forgot it.

LaBerge: Right. Have you continued to be friends, or to see each other?

Peterson: [Yes, rather regularly over the intervening seventy years. Incidental to all this, I also belonged to a professional fraternity. There were two professional fraternities on the campus: Alpha Kappa Psi, Delta Sigma Pi. Alpha Kappa Psi had been established a couple of years ahead of us so they had gotten the first choice of faculty into the fraternity for that part of their membership so we had to move down the line a bit in prestige. We selected the controller of the University without any idea he might someday be the president.]²

LaBerge: Barrows, and--

Robert Gordon Sproul

Peterson: No, his name was Bob Sproul--who for twenty-eight years as president, of course, set a record at the University of California.

¹Ewald T. Grether, "Dean of the UC Berkeley Schools of Business Administration, 1943-1961; Leader in Campus Administration, Public Service, and Marketing Studies; and Forever a Teacher," in two volumes, an oral history conducted 1975-1987 by Harriet Nathan, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1993.

²Bracketed material added by Mr. Peterson during the editing process.

LaBerge: Sproul! Oh, he was the controller?

Peterson: Yes, and then among the teaching fellows we selected a young fellow by the name of Grether which, of course, I heartily approved.

LaBerge: And what was the purpose--was it the economics professional fraternity or--?

Peterson: Yes--Delta Sigma Pi is still going strong, it's a national fraternity, and they are also a social fraternity in many places. But these two were professional fraternities in economics and business.

LaBerge: And how often would you meet, for instance?

Peterson: It seems to me we met twice a month.

LaBerge: And would have discussions?

Peterson: And then we had social occasions, initiation and big dinners and that sort of thing. Maybe a couple of times a semester.

Of course, that was the highlight of our dinners, because even then Bob Sproul told stories. He always came, and he was always the treat of our dinner, whatever dinner we had.

LaBerge: Does it sort of amaze you to look back at your life and realize all these people who touched it and where they've come and--

Peterson: That's right. It was fun.

Extracurricular Activities: Exercise Options

LaBerge: Now, with all this and with your work, did you have any other extracurricular activities? It doesn't sound like there would be time.

Peterson: [No, there wasn't much time to waste. I spoke earlier of my hash job during my sophomore year which took care of room and board. However, as I mentioned earlier, following registration fees and the purchase of a new suit, I was down to some fifteen to twenty dollars. For spare change I got a job six nights a week cleaning up a donut shop just off campus. I would study in the campus library until it closed at 10:00 p.m. and then it only took me about one-and-a-half hours to clean the shop.

Incidentally, I was paid for two hours at the top wage of fifty cents an hour for those days.

By the time I was a sophomore, I had become sophisticated enough to snoop around the campus for something better. It turned out to be the Alumni Office which provided me spare change for the remaining three years. Here I could drop in whenever I had an extra hour between classes during the day or in the evening.]¹

LaBerge: So what did you do there?

Peterson: Well, that was just largely chores--keeping records and bringing them up to date and that sort of thing. There were about two or three of us as students that worked there part time.

LaBerge: You were really busy during all that time.

Peterson: Yes.

LaBerge: And you went to all the football games--did you go to most of the sporting events?

Peterson: Oh, yes. I was fairly diligent in that score.

LaBerge: And how about any athletics yourself? Were you in intramurals or--?

Peterson: No. That I did not have time for. Occasionally, we had events between classes or such, but that was very amateurish.

LaBerge: I think I picked up somewhere that you like to swim. Is that right?

Peterson: I've always liked to swim. As I was growing up down in the Valley, we had a canal on each side of our ranch, only about a half a mile apart, so I took turns, but mostly swam in canal number six, because it had the best swimming hole. What happened was that along the canal, to irrigate, you had what we called "drops." They were manmade out of wood, dams that would back up the water. You put boards in vertical slots and raised the water up. They were about a half a mile apart. You would raise the water in the canal while these farms on both sides were irrigating, and then you let it come through and up the next dam to irrigate the farms opposite the next section between "drops."

¹Bracketed material added by Mr. Peterson during the editing process.

The water, being backed up, would rush through this frame, and the result was on the leeward side you had a big hole. So we would build springboards and diving platforms around there, so that was the big sport as we were growing up as kids. There we gathered as groups, and so that was pretty active swimming all summer long. And of course, our summers started pretty early, and lasted fairly late. The water flow was maintained throughout the year because this came from the big reservoir in the mountains.

And then in Hawaii I swam every morning, either down in the ocean or on the beach or in our swimming pool. Usually in our pool, before breakfast. And weekends, swam down on the beach.

[This idea of regular exercise had started in '46. It was when Mario Giannini asked me to take over the management of Allied Building Credits which was in trouble, financial and otherwise. I knew this would mean seven very full days a week for some months, hence was in the market for some kind of ordinary recreation.]¹

I had breakfast one day with a man who pointed out he'd had some problems, and the doctor suggested he walk two miles every morning before breakfast. I was quite impressed, because by this time he had a family of, I think, around four children, and so all six of them walked before breakfast.

So I thought, "Well, this is the way to kind of keep in shape and to be sure to do it before breakfast," and by this time, of course, I was a forty-year-old man. So from '46 until '56, I had been walking. So I was in shape to start swimming when I got to Hawaii in '55.

So exercise became a habit, and then after we left Hawaii, I resumed walking before breakfast.

LaBerge: So do you still do that?

Peterson: No, I don't do this regularly now. My garden, of course, is now limited and I walk at leisure. Until a couple of years ago, with three-and-a-half acres of garden, I kept pretty busy over weekends. However, now with the acreage reduced to one-and-a-half acres and a part-time gardener, I've eased up.

¹Bracketed material added by Mr. Peterson during the editing process.



Graduation from UC Berekeley, 1925:
Rudolph Peterson and cousin Ted
Peterson.

LaBerge: That has something to do with your farming background? I wondered if that was ever an interest of yours, and whether you'd pursue that.

Peterson: Well, you're correct. Earlier I decided that I was not setting any records playing golf. I played a good deal of golf in the thirties, and I would say the beginning of the forties, we acquired our first garden. We had an acre then, down in the Peninsula. From then on, I have been getting my exercise via gardening, and intermittently--of course, as I said during Hawaii, I swam.

International Interest and Marriage, 1927

LaBerge: Well, before we leave college, anything else there that you think influenced your later life, or other people, including students? I was wondering, for instance, if the David Barrows lectures on the developing countries sparked your interest in the international scene, or--

Peterson: Well, there is no question but the combination of growing up in an immigrant environment, I naturally was quite familiar with Europe in general and the Scandinavian areas in particular, and the life there and such. That probably sparked my particular interest in the Barrows lectures, and particularly the African scene.

Certainly in my later activities, such as only five years out of college, I was very excited at the idea of going to Mexico, Cuba, and Guatemala. It's a good question, because it seems to me that these interests had some bearing on what I did later in life. In other words, in reflecting, I obviously was always curious when something came up in another part of the world, or with an international flavor. I think maybe some of that came out of my background, including--.

LaBerge: And you were open to new experiences. Some people might have said, "No I won't go to Mexico, thank you. I'll go back to California."

Peterson: That's what I mean. That's right. And I must say that it so happened the girl I married was also just as adventuresome and as curious about anything of that sort.

LaBerge: Well, let's go into that. When did you two decide to get married, then, after you finished college?

Peterson: After the Senior Ball.

LaBerge: After her Senior Ball?

Peterson: My Senior Ball. However, we were--and from the time I finished school, there was not much question, at least in my mind. There might have been in Pat's. I then began planning on how much money I'd need to make to support a family, or support her. I started at \$100 a month, and it took me two and a half years to get up to \$225 a month, and at that point I felt I could support a household.

LaBerge: And meanwhile, she was in school another year, too?

Peterson: Yes, she was there, and then her father died, and she did not graduate. Her mother moved down here, and she was the only child. So the two of them were living in San Francisco. She had a job with Metropolitan Life. Her mother also worked part time.

So when I finally married and felt I could support it, she said, "That's just fine, but I'm going to continue work, but you're not going to get a dime of it." [laughter] "You're going to put this in the bank, everything I make, and when we have enough to go to Sweden and meet your family and visit in Europe, we'll go." And that took until the spring of 1930. We were married in November of 1927.

IV FIRST TRIP TO SWEDEN, 1930

Meeting Brother Carl

Peterson: By the spring of 1930, I announced that we had an adequate amount to go to Europe and meet the family and do some traveling and so forth.

LaBerge: Well, why don't we go into that trip, before we start your career--

Peterson: Of course, we can go back at the start of my job and such since, and the fact that I didn't go to work at a bank.

LaBerge: Right. At this point, were you living in San Francisco?

Peterson: At this point--no. I was living in Berkeley with two of my fraternity brothers, and we were five fellows. One from the University of Wisconsin, and one who had graduated from another school, I forgot where. One of their mothers kind of rode herd on us. [laughter] We had a maid to take care of the house. We had a whole house in Berkeley, and one of our fraternity brothers was quite a social guy, and had imagination. So we had regular dinner parties, and would invite--have music and sometimes even dances there in the house.

Mrs. MacRae would kind of keep track to see that it was orderly and proper. But we had a lot of fun together. It was an interesting group.

Well, going on: when it came time that we had the funds ready to go to Europe, I quit my job, of course, because a leave of absence was never heard of in those days. However, one of the senior men said to come back and look in first before I took another job. So I had some assurance.

But in any event, we had been in touch with my oldest brother and his wife, who came--as I think I mentioned earlier--to the United States about five or six years after I was brought here. He was then in his early twenties. He lived in Youngstown, Ohio, and had had a very interesting life. One of his first jobs was to climb poles six days a week for the utility in Youngstown, and go to night school, I think something like four nights a week.

He had become interested even that early, about 1910 or '11, in electricity. By this time, he was one of the major electrical contractors in that part of Ohio, and so we had been in constant touch of course.

LaBerge: And what was his name?

Peterson: Carl. So in this two-year planning program that I talked about while we were saving the money, we of course were very much in touch. He had been back earlier, but they planned that they would take that summer off, too, and join us.

LaBerge: Now, had you met him before, or was it just letters?

Peterson: Just letters. So at the dock of the Kungsholm in New York, which was one of the three major Swedish ships of that day, we met and had a big reunion and a lot of fun, and went over together.

LaBerge: Did you recognize him immediately? What was that like? Had you seen pictures?

Peterson: Oh, heavens yes, pictures and all such, yes. And of course, they were waiting for us there at the dock. And see, they lived in Youngstown, so they practically came in that morning.

LaBerge: That's right.

Peterson: It was an exciting--the Kungsholm would always be exciting, but this was particularly so because it was the beginning of summer. There was a combination of students who were going home for the summer, Swedes of course, and what particularly impressed me, middle-aged people who had been in the United States for fifteen, twenty years and were going home for their first visit. In other words, they had come here in their twenties, and now were maybe crossing forty, and this was the first time they were going home.

We had a very exciting trip, because so many of us were young contemporaries of these Swedish graduate students.

##

LaBerge: Okay, we're on the Kungsholm, and there's a final ball.

Arrival and Reunion

Peterson: There's a final ball before we land the next day. That, of course, was very exciting because they played a lot of Swedish dancing tunes for these Swedish dances. To many of us, to see these couples who were returning go through their dances, where they picked their lady up by the shoulders and just whirled her around off the floor--it was exciting to us as younger people.

I remember it so clearly, and it was over, I would say, about 1:00 a.m. or so. With that, we younger ones went up on the top deck, and a couple of the members of the orchestra came up with us. We were dancing on the top deck until about 3:00 in the morning, and were just coming in to the North Sea. And of course, we were in the area where the sun is only down a few hours in June.

All of a sudden we realized, here the sun was coming up on the one side and the moon was shining on the other. It's a thrill to all of us who weren't used to those kind of scenes. It was really quite something.

[The next day (Sunday) we are due to arrive in the evening. Being Sunday afternoon as we coasted along the coast to Göteborg harbor we were being greeted by residents up on the shore waving and calling to us. That was reasonably emotional in itself, particularly for these forty- to fifty-year-olds that were coming home after twenty years away.

The climax came when we coasted in the harbor toward the pier and our orchestra on the deck played our national anthem and the Swedish band on the wharf then responded with the Swedish national anthem. There wasn't a dry eye on that whole boat. And, it was, of course, a calm and beautifully gorgeous evening.]¹

Well. Needless to say, we missed my brother, who was there to meet us, but we stayed on the boat overnight, and got together with him the next morning. Then we all took the train

¹Bracketed material added by Mr. Peterson during the editing process.

out to Svenljunga. It's about an hour and a half's train ride at that time.

That was a real reunion, and I say reunion because obviously, it was the first time I'd consciously seen my family. But thanks to Anna, who had started me as I told you earlier, as soon as I could read and write corresponding with the family constantly, it was truly a reunion.

LaBerge: You felt like you knew them?

Peterson: I'd known them all the time, yes.

Summer Social Life

Peterson: Well, that was the start of an exciting summer. With their long days, the Swedes have a habit of averaging about six meals a day anyway, and those are excuses for getting together. There was usually a cup of coffee and maybe a biscuit or a rusk, we called it, when you got up. Or if you didn't get up, somebody brought it to you in bed, because naturally, my brother and the workmen used to get out early in the morning. So they were out there at 7:00 getting things underway, or 6:30.

And then about 9:00, between 9:00 and 9:30, you had a real breakfast. Then at 11:00 you had a cup of coffee, and that's known as "elva caffè." And then your big meal was normally between 1:30 and 2:00. And then the real social occasion was at 4:00, coffee in the garden. You always had it in the garden, and with the family all around, either in your garden or your neighbor's garden. The other breaks, like 11:00 coffee, were fairly short. But "fyra caffè" was at least about an hour or more.

Much of the time Esther lived at home. Signe and her husband were only by automobile about twenty minutes away. Sten was just starting a nursery, his nursery in Göteborg, so that he was home part of the time. So it was our whole family there so much of the time, for these gatherings. Also we'd visit with the neighbors around us, or they would come visiting with us.

If you entertained for supper in the evening or were being entertained the evening was over when coffee was served us about eleven o'clock.

LaBerge: Now, is this just during the summer? This doesn't happen--



Ariel view of family home on Svedjorna, Sweden.



Above: Family home on Svedjorna, near Svenljunga, Sweden.

Below: Rock garden adjoining home.





Pettersson family, circa 1927. Back row: Anders (father), Sten, Hugo, Carl. Front row: Ester, Amanda (mother), Signe.

Peterson: Of course, in the winter, there's not so much activity, except-- . Of course, our home was pretty busy, because Svedjorna primarily timber. But I would say that the agenda in the winter was probably the breakfast, the 11:00 coffee and they would come in, and the 4:00 coffee was less of a gathering. It was mostly just the family.

LaBerge: And probably getting dark by then, too.

Peterson: Yes. Your dusk started at 3:30 to 4:00, and of course, it wasn't too light even then.

This getting together was interesting to me because I could understand from where this kind of friendliness and keeping track of each other and helping each other in the immigration colony down at Turlock and Hilmar came from. There, people were concerned, and if anybody was sick, the first thing you knew a couple of neighbors were checking up to be sure everything was all right.

I think the best example I have was the delightful elderly widow that lived in a cottage, I would say a ten-minute walk through the woods from our house. It was right back of our place. It was a home where she had lived in for years with her husband. At that time, even in 1930, taking care of the elderly and retired was established in Sweden. In other words, they're always accused of being too social by our standards, but this was well established then. So that people beyond a certain age, particularly if they were in the widowed--I don't recall the exact qualifications, but if you needed help, the government provided it.

But what impressed me was the neighbors in this area were very proud, because they had taken care of this widow so that she didn't need any compensation from the state. They didn't talk about it; it just was a fact. And that was rather typical in that area. I can't speak for all of Sweden. But she was not the only one, I am sure.

LaBerge: What a wonderful attitude.

Swedish Terrain and Economy

Peterson: Yes. It was an interesting part of Sweden. It's like the Black Hills of South Dakota, only much smaller. I would say it's maybe twenty, twenty-five miles across, opposite Göteborg right

in central Sweden, and maybe thirty to forty miles north and south. But here, that entire area is normal farming and gentle rolling country. And here is a rocky, semi-mountainous, timbered area full of lakes and streams and that sort.

[My grandfather acquired "Svedjorna" some time in the middle 1800s. Back in the 1600s it had been a ranger station for this timber area.

The principal harvest of course was logs and pulp. The meadows in each holding were cleared and cultivated to supply feed for a small dairy. In addition, small portions of the meadow were planted to the family's requirements of potatoes and vegetables. Adjacent to utility buildings were always a couple of cellars for storage of this food.

The combination of a small dairy and home-grown food stuffs provided that no one ever went hungry. In turn, if the price of timber was good so much the better.

Interestingly, the Swedish government in about the late thirties or early forties recognized that with the combination of demand for increased living standards and inflation, these modest holdings would not be adequate. Hence, they established an appropriate loan program for those who wished to enlarge their gård. As a result, my brother acquired some three adjoining properties as they became available with the break up of family situations, and his son continued this program. The result was that Svedjorna was enlarged by several times its original size. Hence, with the passing years the family was increasingly comfortable. At the moment, my nephew and his wife are celebrating his fiftieth birthday with an extended visit to New York and vicinity.

LaBerge: What was the word--I think it was the Swedish word for timber, gord--

Peterson: No, not quite--gårdar. The literal translation for this would be "estate." However, timber holding of one hundred acres or less would hardly qualify for our interpretation. However the one justification might be that each gård has a name instead of a numbered address. Also, many of these remained in the same family for generations.

As I mentioned earlier, in due course, the same need for enlarged ranch holdings became evident in the Turlock area. Even with a forty-acre combination of vineyard or orchard or watermelon along with a dairy could assure you of smooth sailing into the forties and fifties. However, it was interesting to

those of us who still had families on farms throughout the Depression of the thirties. It still worked. The rations might have been a little thinner but our various families all made it.

Family Travels

LaBerge: Well, that summer did you also travel around?

Peterson: Yes, we did indeed. We also visited interesting sights of not only our family history, but of the history of this area. Our town of Svenljunga had somewhat of a headquarters center for the Danish troops before they were driven out.

A good deal of this visiting consisted of midday dinners or afternoon coffee with friends of the family throughout this area. Speaking of good visits, we had a delightful long day visiting Anna's two sisters in the adjoining province. We had been invited to midday dinner with one of her sisters who lived in their old family home. This was situated on a beautiful lake and still in fairly wooded country. On the way to this lovely place, we would pass by her other sister's home. Hence, travel was timed so that we stopped in just in time for eleven o'clock coffee.

She had no word of our coming. Hence, she was of course embarrassed because she had not "baked a cake" and was very apologetic. Mother Amanda and I had our own chuckle because we had counted seven kinds of cookies.

That reminds me of another anecdote. On an earlier occasion, we had been with other neighbors to afternoon coffee given by an elderly widow who lived in a lovely little cottage back in the woods. At the end of an enjoyable gathering, I noticed my mother unfolded her clean handkerchief. She stepped up to the cookie table and picked out one of each kind of cookie and folded them into her handkerchief.

LaBerge: Like a doggy bag? [laughter]

Peterson: Yes. In walking back to our home I commented to my sister, "Gee, here's this poor widow and we took half of her cookies home." With that I learned that this was the highest compliment you could ever pay your hostess. My mother just wanted her neighbor widow to know how very special this occasion has been to us.

LaBerge: So you took your handkerchief with you--

Peterson: Indeed we did.

LaBerge: That's wonderful. Well, then, did you travel through Scandinavia, too?

Peterson: Yes. About the middle of our two months' stay in our home, we decided to go up to Stockholm and visit with some of my mother Amanda's family. However, we decided to go there via Sweden's most picturesque route, the Göta Canal.

This canal with its many locks to adjust to the water level is the proper way to travel. It provides a marvelous boat trip from just above Göteborg across central Sweden to Stockholm. For this purpose, the canal utilized a portion of a river, two large lakes (one of these the second largest in Europe) and then finally, the waterways between the coastal islands on up into Stockholm. These 250 or more miles of waterways provide two nights and three days of delightful travel through some of the richest and loveliest parts of Sweden. Most of it is gently rolling country. As you go through the locks, on the canal portion, you can step off and take a brisk walk on the path along the canal to the next lock. This comfortable boat cares nicely for a dozen or so couples.

We had an exciting night in crossing Vänern, the large lake I referred to. A bit of a storm blew up. To conserve space, sleeping quarters were in two large rooms. Hence, the men were together in one end and the ladies were together in the other. It seems that the captain had decided to minimize the inconvenience by stepping up the speed of the boat.

One of the older ladies decided the captain was going too fast according to my Pat's description: "She gets up, thoroughly indignant and wakes up everyone in the process. After some discussion, she storms out, goes up to the top deck to the captain, rain pouring down and orders the captain to slow down [laughing]. She comes back soaking wet in her nightgown and still furious. However, she had told him in no uncertain terms that he better slow down this boat or else." This was one of the many anecdotes that came out of this delightful trip.

But suffice it to say, those three days on the Göta Canal were delightful. The combination of crossing two lovely big lakes, winding up a couple of rivers and, intermittently coasting through that series of landscaped canals was continuously exciting. From time to time, we would catch up on our Swedish history with stopovers at historic spots. Sometimes

it would be a small cathedral going back to the start of history. Other times, the homes of kings and queens of old, and other times a museum or some other treasured center.]¹

##

LaBerge: Now, did Pat know how to speak Swedish?

Peterson: She didn't.

LaBerge: So how did she get along, or did you translate?

Peterson: Well, [laughs] Sten and Carl of course understood English, and about half at most gatherings understood enough English that she could get by. But when we were at home the family had such a wonderful time listening to my translation in Swedish to them that they most of the time--no, they didn't understand a word of English. So the answer is most of the time I was translating. My nieces and nephews speak better English than I do.

LaBerge: Because they learned in school as--

Peterson: Since about World War I time, in all three Scandinavian countries, you cannot finish school unless you have passed a test in English. Beyond that you have an option of one other foreign language. You can choose French, German, or whatever you want. But when you finish the mandatory school level, which is a little more than high school here, you must speak three languages. But English is mandatory.

LaBerge: What a wonderful trip you had. And then what did you do in Stockholm?

Peterson: Well, in Stockholm, we of course were catching up with some of the historic sites throughout, some with family, some entirely on our own. Dinner parties in interesting places where different members of the family would have a dinner and invite friends.

One Sunday over the weekend we went out to an island where one of the older members of the family had a summer home. And there were about five or six of us out there for the weekend. We went out sailing on their boat and visited a nearby island.

We did visit, of course, the younger members of the family also. There were some that were about our age, two or three of

¹Bracketed material added by Mr. Peterson during the editing process.

them lived in Stockholm. This was all my mother's side of the family.

LaBerge: So did your mother come on this trip with you?

Peterson: No, just Pat and I.

[Incidentally, the contemporary male members of the family were interestingly enough modern electrical engineers. But the thing the family was known for is that they not only built, but maintained some of the sewers of Stockholm under past generations. They didn't build them all, but had managed to get through a generous share.

LaBerge: And they maintained them.

Peterson: Yes, however our generation had gotten into electricity. By this time, the sewer business didn't sound very exciting. Although until recently our elderly host on the island had spent much of his time supervising the maintenance of many of these sewers. But by now he only enjoyed telling about them and was fully retired.]¹

The Gold King, John Brynteson

Peterson: On our way back we stopped at Åmål. Åmål is a town at the south end of Lake Vänern. [looking at atlas] And there, the "gold king" of Sweden, John Brynteson lived. He and his chauffeur picked us up and brought us to their home. I would say it was about seven, eight miles from Åmål.

This was a village with a lumber mill in the center of a large timber holding. It all belonged to the Bryntesons. Their home was on a lovely lake in the center of all this.

Mr. Brynteson had been one of the three Swedes, and he was obviously the leader, who had gotten together in Nome, Alaska. The other two I'll talk about later. Mr. Brynteson was the one who knew something about mining and the leader of the group. They had gotten together some time in the early 1890s, and had become interested in the rock formations on Anvil Creek, which is the area now adjoining Nome, Alaska. Mr. Brynteson might

¹Bracketed material added by Mr. Peterson during the editing process.

have been a geologist. He obviously had quite an extensive education.

They came down to Juneau, the capital, to ascertain what could be done to explore potential possibilities. At that time, Pat's uncle, who had been superintendent of the Utica mine up in the Mother Lode, was also in Juneau. Mr. C. D. Lane, here in San Francisco, owned the Utica mine, and had sent Gabe Price up to Alaska to see what the possibilities were. Rumors had come down that evidence of gold had been found in several areas.

Connection with the Price Family

Peterson: Uncle Gabe had been the superintendent of the Utica mine, so he was an old man of thirty by this time. Mr. Lane said, "See what you can find." The three Swedes met Gabe Price in Juneau. They had come down, he was there. Obviously, they were happy to find somebody who really knew something about gold mining. So they finally asked him if he wouldn't come up with them and see whether this was interesting. And inasmuch as he was out looking for the same thing, obviously he was interested.

So he went up with the three of them, looked it over and said, "Definitely, this has interesting prospects." And of course he was sophisticated enough to know how to make out the forms and file claims on their behalf. About the time he was finishing up getting their claims prepared, they said, "Well, you haven't filed any for yourself." He said, "Well, it's yours."

"No, no, no. You've got to file for yourself." So he also filed a claim. Apparently, there was a limit, so he filed one in his own name and one for his kid brother, Tilden, who much later became my father-in-law.

I am told that later on Gabe actually laid out the community of Nome, and in due course more of Pat's family became involved. He sent for Till, and brought Till up there. They moved on; it turned out to be very successful.

LaBerge: Were the three people all Swedish, including Mr. Brynteson?

Peterson: Yes. This became quite interesting for me. John Brynteson and, I think, Eric Lindbloom both came directly from Sweden. The third was a Swedish missionary who, as they say, came to Alaska to do good and did well. This missionary, Nels Hultberg, is the

one who ultimately mined in the summer and sold Hilmar farms in the winter.

They were all fairly successful financially, but thanks to Hultberg, Mr. Brynteson finally went down and bought what is today still the biggest ranch in Hilmar. So that's why I had also heard of Mr. Brynteson all my life.

The third man, Eric Lindbloom, built the Claremont Hotel in Berkeley and owned it until 1937.

LaBerge: Oh, you're kidding!

Peterson: He started that.

Well. That was a delightful two-day visit.

LaBerge: Well, when you started the story, I thought, now, how do you know the gold king--I didn't know where this all came from.

Peterson: That is what they called him when he came back to Sweden.

LaBerge: But both of you had connections with him.

Peterson: Yes. That's, you see, why it was so exciting to visit our two homes--in Sonora or Hilmar. If we went home to our ranch--well, Pat would hear more stories about Nels Hultberg. And when I went up to Sonora, of course, the tales were endless within her family. See, in 1849 Grandpa Price came through the pass, and Grandma had come around the Horn. So here we had stories about the Gold Rush in both California and Alaska. She was third generation up there in Sonora.

Getting back to our visit, Mr. Brynteson owned this whole village, this whole set-up. And I can remember the gardens went down to the water on the lake, with this lovely home up above. And over on the one side under glass was a small vineyard, and an assortment of fruit trees that wouldn't survive outside in this snow country. And of course, the flower gardens were simply beautiful.

[Mr. Brynteson's stories of their experiences together in Alaska were fascinating. Obviously, it was not only sharing new and adventurous experiences, but it was obviously a special relationship which had been established between him and the two Price boys. He finally turned to Pat and said, "I must apologize to you. I can't keep my eyes off you. You look so much like your father." Obviously there was an intimacy that

meant much to him. And, of course, by this time, 1930, he was reminiscing back into the late 1890s.

LaBerge: Well, I'm sure it meant a lot to Pat, too.

Peterson: Oh, of course. It meant a lot to me; I was having a wonderful time. Mrs. Brynteson couldn't have been lovelier or more hospitable. For us it was a highlight of the summer.]¹

LaBerge: Could you say more on the Alaskan adventure?

Peterson: [Well, a sequel to this tale came along in 1935. One of my colleagues with Commercial Credit Company in Chicago invited us to a lively dinner party one evening. He had grown up in North Dakota and came down to the University of Chicago for the rest of his education. During dinner he asked me something about Alaska and I referred him to Pat who was his dinner partner. A bit later, out of the blue, he turned to me with a statement, "I'll be damned! Pat's father and uncle sent my father's cousin to jail just because he was a shady North Dakota politician."

I'm being tempted with another story which has nothing to do with the gold mining aspects of this--but I can hardly resist--

LaBerge: No, anything you have to say has to do with this!

##

Peterson: About four or five years later, my future mother-in-law (Winifred Ward) appeared on the scene in Nome. I've already told that story. Incidentally, Winifred's special friend during this Nome tenure was the young school teacher. In later years she returned to New York and married Mr. P. T. Dodge, the man who invented and developed the Linotype. In later years, she became Aunt Lil to all of us and as far as we were concerned, a member of the family.

The day before we were to leave with my brother Carl and his wife on the Kungsholm, Aunt Lil gave us a dinner party in New York. She had invited all her old friends from Nome who were living in the New York area. The gathering as the evening progressed was full of reminiscences of wonderful stories coming out of those "good ol' days." Needless to say, they did not suffer in the telling. The evening grew more and more exciting.

As we were sitting around after dinner I was visiting with an elderly gentleman guest who obviously had been in the midst

¹Bracketed material added by Mr. Peterson during the editing process.

of things in Nome. In our discussion, I recalled a name that had occasionally appeared along with a scholarly article in the San Francisco Chronicle. My mother-in-law had mentioned that she had known him in Alaska but she never made any comments on his Alaskan activities. So, I turned to my friend and asked, "Just what did this so-and-so do up in Nome? I had not heard any mining stories about him." My friend obviously waited until there was a lull in the room's conversation and then turned to me with a very distinct voice: "Well, young man, you look old enough to know what a pimp is." That well-timed response brought forth questions from all over the room. Understandably, Nome was a pretty busy place on that score.

Well, after two delightful days with the Bryntesons, we returned to Svedjorna for a final two weeks.

Travels On the Continent

Peterson: Then we went on to Berlin and having no friends there, we were just plain tourists. We had an interesting two or three days there visiting historic spots in Berlin and kind of catching up. Then we went down to Frankfurt am Main for a couple of days in that area, which was even more fascinating and historical.]¹

And then, early one morning, we got on the boat going down the Rhine, and we were headed for Belgium and Brussels as the next stop. About noon we passed Koblenz where the Mosel enters the Rhine. That became very historic because they had celebrated the day before Hitler's move into the Rhine. He had occupied the Rhine Valley, as you will recall, later--part of it went back to France.

And in the celebration, the bridge going over the Mosel River, where it came into the Rhine, had been loaded with people, and had broken and gone down. It was a terrible tragedy.

The historic part was it was the day after Hitler occupied the Rhine Valley.

LaBerge: And they were celebrating because they were happy--

Peterson: Because they were happy. This was the new German part.

¹Bracketed material added by Mr. Peterson during the editing process.

Then, in Brussels again, it was like Berlin and Frankfurt: we had no particular friends there. We just had fun for two days, going over the town, and then on to Paris. Then, on to another fascinating week in the London area. And then caught the boat back home.

LaBerge: So you took the Kungsholm back home, or another boat?

Peterson: No, we did not. We were on a British boat coming home.

LaBerge: And did your brother come back with you?

Peterson: No, they stayed, because you see, Betty grew up in Kalv, on the coast, a hundred or more miles north of Stockholm. So when we left, they went up there and visited with her family.

LaBerge: What a wonderful summer trip! I just realized--that was right after the stock market crashed.

Peterson: Oh, it was the depth of the Depression. I mean, we came home broke, but so were all our friends. I had sold enough stock, Commercial Credit Company, where I worked, enough so I had started off with a generous supply of cash, but we'd spent it all. And then as it turned out, we didn't come home after all.

LaBerge: Right. We'll get into that the next time.

Peterson: Yes.

Father, Anders Peterson

Peterson: But I wish I could be more descriptive in fewer words. The warmth of that summer, not only because of family but the community feeling you had--you felt that you were taken in. It didn't have to be just your own family. We would go visiting to where my grandfather and where my mother and some of her brothers and sisters were born, and of course, they would remember them. We would of course be invited in for coffee, have a visit, and that would bring on stories of what had happened in the last seventy or eighty years in that part of the world.

LaBerge: Now, was your father alive when you went back?

Peterson: Yes. He was seventy-two [laughs], and of course, he was having a wonderful time with all four of his sons home. However, he

had--what do men have when they grow old--prostate trouble. While in New York, we had visited with a member of Pat's family who was in bed following surgery for the same prostate problem. He told us about his friend who had also just had the same surgery. As it turned out neither of them ever got out of bed. They lived for about a year. They were both my father's age.

They did not give my father surgery, and told him to see that a bush was reasonably handy. And he lived for four years just as happy as he could be. I think he was in the hospital not over a week before he died.

LaBerge: So he was mobile, as opposed to these other men.

Peterson: Very. As a matter of fact, at coffee time, particularly if all four of us were there, he'd get out the little glasses and the schnapps bottle just before we had coffee. He'd make the rounds with his sons, and gave us each a schnapps drink. And all the time that he was serving us, he would say, "Now, the doctor said I shouldn't have any schnapps, but--" and then he'd have a new story every time of why in these circumstances it really didn't count. And of course, when he got to the fifth glass, he poured himself one. [laughter]

And another little anecdote which I never forgot. Pat, Father, and I were walking over the path through the woods to this widow whom I talked about, where my mother took home the cookies. He was in back, and Pat was in front. All of a sudden, he kind of pushed me aside and hustled up front. And as he was hustling up, he was taking his coat off, which incidentally was quite a formal-type coat that he wore when he went away to coffee.

And then I suddenly realized there was a wire fence just ahead of us that I hadn't known, of course, that you could step over, but it was fairly high. So by the time Pat got to the fence, the coat was laid on top for Pat to step over.

LaBerge: Oh! How sweet!

Peterson: I was always very proud at that. There was no fuss. And that was so typical of him. He was always alert to these niceties.

Midsummer Festivals and Santa Lucia Day

LaBerge: Could you tell me the story of Dallarna and the Swedish festivals before we end?

Peterson: Dallarna is a lovely historic area in central Sweden north of Stockholm. I would say it is north and south probably about thirty to forty miles, and crosswise east and west about--let's say twenty to twenty-five miles. And it is completely dotted with lakes in among the hills. Dallarna means hills, and I can't tell you why historically, but it's always been an area where the villages all through have very elaborate festivities on the three days of midsummer.

LaBerge: So you were there for it, right?

Peterson: We were there for it with our children twenty-four years later. They have dancing. When I say dancing, not only do they have groups who have rehearsed in various Swedish dances, music during the day, and then in the evenings, they have social dances. With Swedish folk dancing you didn't have to have a hardwood floor. So it's frequently outside on some sort of platform base.

So as a guest, you just can go from one of these villages to another. They are all in the old Swedish costumes. It's still very festive.

LaBerge: On the same note with festivities, just because it was last weekend, do you do something for Saint Lucia Day? [December 13]

Peterson: Lucia, yes. That's in advance of Christmas. Yes, it was at the consulate. This was last week. Siri Eliason is the honorary consul here. The full-time consul for the West Coast is now in Los Angeles. So she has, on the Lucia day, a chorus of youngsters who have been trained to sing the various Christmas songs, and dressed in Lucia costumes. She makes that a party in honor of all our members who have been given the "Order of Vasa."

LaBerge: The Nobel--

Peterson: Nobel. All the Nobel laureates are invited there, too. So this gives an additional bit of glamour to the Lucia festivity. And then the singers come down into the stairs there in the consulate. It's a very gracious stairway coming into the living area. So, all of us are below both in the living room, and

adjoining area. They are up on the stairs, and sing from up there with their music.

LaBerge: Did you celebrate that in your home growing up, or not?

Peterson: No. Well, here it was not a big thing; in my home in Sweden, yes. But I wasn't there at Christmas at any time.

LaBerge: Okay. Next time we'll start with Commercial Credit.

Peterson: All right.

V COMMERCIAL CREDIT COMPANY, 1926-1930

Office Service Clerk for Retail Credit Company

[Interview 3: March 10, 1993] ##

LaBerge: When we last ended, we finished your first trip to Sweden, and going to the Continent, and we just came back to you coming to Baltimore. But before that, we hadn't even started with Commercial Credit. We sort of took a detour. So let's start with your first job, when you finished college.

Peterson: Well, literally my first job turned out to be an interim assignment with Retail Credit Company of Atlanta, Georgia, who had a branch out here. A couple of my fraternity brothers, who were a couple of years ahead of me, had worked with them as what they called inspectors. They convinced me that this ought to be a good place for me to work, and there was an opening for a junior in the office.

I guess it was too junior, because I decided fairly soon that it wasn't something that I wanted to make a career out of.

LaBerge: What were you doing?

Peterson: I was what they called the office service clerk, because these inspectors were out checking up on applicants for life insurance. In other words, the insurance companies asked Retail Credit Company to check up particularly on the moral standing, and to some extent the financial, of some of their larger applications for insurance. So these inspectors would check on a man's associates and his business connections in the downtown area, and maybe check with the neighbors out in the residential districts.

Well, the office service clerk was kind of keeping track of the office routine. The two inside men were the manager and the office service clerk. There was a great big gap there. I think the thing that really got me was that I had to go to the post office and pick up the mail every morning. After four years of college, to be the mail boy really got me down a bit, psychologically.

Installment Sales for Automobiles

Peterson: But in any event, during the fall of 1925, about November, coming over on the ferry, I met one of my classmates who was telling me about his new job. He had gone to work for Commercial Credit Company. They had just come to the coast, having set themselves up the year before in the East to finance automobiles. This was new, and so under the so-called conditional sales contract, the dealer would sign up a buyer on the installment plan to pay for his car, and then they would buy the contract.

Also, under a relatively recent instrument known as the trust receipt, they would pay the factory for the cars that were shipped. The dealer would put up a certain margin. The trust receipt had a maturity which could be renewed, but the important thing was that the moment the car was sold, they were to pay Commercial Credit Company for that car. And the difference here was that this trust receipt had some pretty harsh legal penalties if you failed to pay for your car promptly, when you sold it. Each car had an individual trust receipt.

This was really for those days an old company, which had been founded in 1912, to finance the textile industry. In those days, I gathered, the textile industry was quite a few and relatively young small companies, so they needed specialized help and would hardly qualify for a normal line of credit with a bank.

LaBerge: Would these be on the East Coast, textile--?

Peterson: Well, they were financing countrywide, but I would say the East and Middle West, and South. But I don't think they had any offices out here.

That consisted of what is known as factoring, under which they would purchase the accounts receivable when the goods were shipped to the buyer or the retailer or whoever. Then as the

accounts receivable was collected, they were to be repaid. The other side of the coin was to finance the inventories of raw material, and that was more like a bank loan as such, but consistent with the inventory they carried.

In other words, both types of financing called for special attention, and of course, higher rates of return than normal borrowing from a bank would call for, and therefore they had been quite successful. I gather that by 1924, the textile industry had matured and there was less need for them, so they decided to start financing the automobile distribution.

LaBerge: Which had just started up.

Peterson: Which was really getting underway.

LaBerge: What's really wonderful, you are talking to a layperson in the finance world, and when you explain things like factoring and others, you explain it so that someone can understand it, and that's one of the purposes of this, so it's great.

Peterson: You don't think it's too detailed?

LaBerge: Not at all. They aren't words that are in the normal person's vocabulary, so it's great.

Peterson: All right. Well, this worried me, because I didn't want to go into too much detail.

LaBerge: I don't think so. So you entered in when it was doing auto--

Peterson: Yes. Well, Gabe Chance--the thing that appealed to me, of course, was that as Gabe pointed out, here we get to learn a new business with our bosses. They're older and more mature and [have] more judgment than we have, but we're learning it with them.

The other thing that appealed to me, I was making \$100 a month. This job started off at \$100 a month, but my job was that--of young men starting--was that of adjuster. That was a fancy name for a collector that chased down people who have not paid, nor responded to correspondence on following them up as their installments on their car were due.

Oh, the point here was that if you were following up delinquents in a rural territory, or away from San Francisco, so you had to stay overnight, you were paid six dollars a day for your board and overnight staying. In those days, you could easily cover your meals and your hotel with about three dollars

a day, so here was a three per day premium whenever you were out of town. Well, that was interesting to me.

Well, we talked it over, and by the time we landed here in San Francisco--we were both living in Berkeley--he said, "Well, I'll talk to Pat Riley. He's the manager here in San Francisco. And I'll tell him about you, and see if--I think we're still hiring young men."

LaBerge: How old was Gabe?

Peterson: Well, Gabe was about twenty-three or -four.

LaBerge: Just a little older than you.

Peterson: [laughs] He was two or three years older.

So I received a call from Gabe within the next day or two that Pat Riley would be glad to see me, so I made an appointment with his secretary and came in to visit with him.

Pat, of course, was an old man in his early forties maybe. He explained that they were hiring young men starting out as adjusters, pretty much up and down the coast--and they had decided, getting into this new business, they would hire college graduates. Normally, in the textile industry, they had been happy with high school graduates.

But he said the problem was that, "These fellows are so young. They're twenty-two or twenty-three years old. Therefore, it's going to take a lot of supervision, but we hope they'll work out." Needless to say, by this time, his twenty-year-old applicant, who in a month would be twenty-one, was pretty apprehensive. But he did not ask for my age, and we had a very good interview.

He said, "Well, you'll hear from us. My assistant manager, I'll have him--here are the forms," his secretary brought them in to file them, "and I'll have him get in touch with you." And in a few days, I got a call from the assistant manager who said that yes, when could I start, and I agreed to start work January 2.

Adjuster for San Francisco

Peterson: Well, my first territory was the city of San Francisco, was assigned to me.

LaBerge: Can I ask you one question? How did you get around the age?

Peterson: I can only guess that Pat did not pass on any question of my age to his assistant manager, and therefore his assistant manager was not that concerned when he saw the age, as long as I had graduated and was eligible as a college graduate. But that's surmising.

But in any event, they gave me the city of San Francisco, and that was just fine. I had not realized that in the city, most people were away in the daytime, so that meant that a lot of my work had to be done in the evening. In some ways, it turned out to be fairly interesting. While I did not have very many evenings available to date my fiancée, I did include her on some of my evening calls. She was very helpful, because after dinner when I was roaming around to locate some of these people, it would turn dark. She would have a flashlight, so she could identify the number of the house I was looking for. In any event, the social calendar and the business calendar were kind of confused, but they were interesting.

LaBerge: Did you have any interesting incidents while you were doing this?

Peterson: Yes, I did, because this was the bootlegging days. As you would appreciate, we did not know when we bought the contract that he might be a bootlegger. Our facilities to check on the standing of a new applicant were something less in 1925 than they are today, and as a result, we found that bootleggers could afford to buy cars. That meant that it was important to get to this delinquent account promptly, because if the Internal Revenue [Service] got there before you did, you lost your collateral, and it was a total loss. Of course, in running some of these delinquents down, it was only then we learned they were bootleggers.

Well, the net result of that was that every once in a while, I would of course sometimes find them in their residence, but also sometimes meet them at a bar or in a pool hall where I had learned they were hanging out. Sometimes I got some money, sometimes I got an assurance that they would pay on a specified time. They would quite often follow me out, because they knew

that--or surmised--that if they let me go out there alone, I'd probably have a way of getting the car picked up and hauled in.

On two or three occasions, they would bring their coat back and show me, here was a gun on the belt or in their pocket or wherever.

The one thing I can say, that I think by the end of the two or three months I was here, I could identify for you practically every alley in the city. It was quite exciting.

Adjuster for the San Joaquin Valley

Peterson: At the end of two or three months, the assistant manager called me in and asked me if I knew my way around in the San Joaquin Valley. I said, "Yes, I grew up there," and we had traveled enough that I thought I wouldn't get lost. He said well, they have a young man there from Oregon who was constantly getting lost, and so he thought maybe it would be wise if we swapped territories. I took the San Joaquin Valley, and he could come up here in San Francisco, where he could find his way around. I said I'd be delighted, so he said I would headquarter at the service office in Fresno. My territory would be from Modesto to Bakersfield.

Well, I moved down there, and took a room in Fresno. The assignments came through. There, of course, in the more semi-rural area, and smaller communities, I found people at home in the daytime, so I liked that much better. And it turned out to be rather interesting. The oil fields in Taft and Bakersfield and that area were relatively new, and very active. So there was quite a bit of activity, and I'd find they had a representative number who'd been rather careless about paying for their cars.

Another area that was interesting was out on what is known as the "west side," Coalinga and up toward Los Banos and through that area, which today of course and for the last thirty years has been one of the most productive areas in the Valley. It was one vast--I felt it seemed like a swamp, but it was mostly alkali weed, and so deserted and so remote that I was very conscious of it when I would have to go look somebody up out in that area.

And the third area was of course the Sierra Nevada mountains, which were in contrast with the desolation of the

west side, very interesting and interesting situations would develop up in these mountain areas.

LaBerge: Didn't you have one incident with a murderer or something?

Peterson: Yes. I was up toward Huntington Lake, looking for a chap who was delinquent, a Mexican, indicated by his name. In Dry Creek, in asking where I could locate him, because he was not at his address, I wound up with the sheriff. He said yes, he was looking for him too, because he had just killed a guy. They had gotten in, I take it, a quarrel or some scrap in the bar.

So the result was I took off from there. He said he thought he was back in the hills toward Huntington Lake. I can't remember where I got the cue, but somewhere along the line I ran into somebody that indicated that he was back in a rather remote section. So I found the road he'd identified, which was a two-wheel track trail through there, and I followed it through. I must have driven in a couple of miles.

I got into a wooded area, and sure enough, here he was camped with his family. So we had a talk. He readily admitted that he didn't have any money, didn't have a job, he didn't know how he was going to pay for his car, so he was quite ready to surrender it.

Well, my problem was here we were, a couple of miles from the road. I couldn't very well have it picked up and brought into Fresno. I finally convinced him that it would be helpful to both of us if he'd be good enough to drive the car out to the road where I could park it and have it picked up, and then I would bring him back.

My argument was, of course, he wouldn't want me to send somebody in here to find the car, and they might do some talking after they got out. He agreed to that. So on that basis, he drove the car out to the road, and then I brought him back and went on from there. But he was the mildest murderer that I've ever met. [laughter] He was this delightful Mexican type.

LaBerge: And that was the end--you never had any more contact with the sheriff or anything else?

Peterson: I did not go back to the sheriff. I did not go anywhere; I was so glad to get that over with.

LaBerge: I bet you were! Were you provided a car by Commercial Credit to use?

Peterson: Oh, yes. No, this was all by automobile.

But it was a pleasant six months. It extended the summer and fall of '26. If I was around Fresno and worked in the daytime, I could get a couple of my friends and go swimming in the San Joaquin River, or one of the canals at night. It was a rather interesting life.

Zone Man for the Sacramento Valley

Peterson: Well, in the fall of that year, after about six months in the San Joaquin Valley, they apparently decided I was mature enough and ready to take over a territory--become a zone man. A zone man was what had been my boss. In other words, the state was divided--northern California and Nevada--was divided into sections. One zone man had the San Joaquin Valley; another man would have the Sacramento Valley, and another man would have from San Francisco north and so forth.

I was assigned to check the new car flooring--that's with the dealers--and to follow up on delinquent accounts. My territory was the Sacramento Valley this time and Nevada.

I followed up the accounts that became delinquent, wrote and telephoned and so forth, and then when that brought no results, I turned them over to my adjuster. My adjuster was Sleepy Terrill, another classmate whom I had not known. I had only known him casually, and I was assured by his friends that his name "Sleepy" didn't come there by accident.

New Business Solicitation

Peterson: But I must say, whether it was temporary enthusiasm or whatever, Sleepy woke up, and the result was that we really went to town. He did a marvelous job, and the result was that at the end of another six or eight months, Pat Riley himself had decided that we'd done a pretty good job. So Sleepy was promoted to come in--I forgot whether he succeeded me or not--but Pat asked me to take over and call on the active dealers. In other words, to become a new business man.

LaBerge: Trying to get new business at that--

Peterson: To be sure that everything was going well with the dealers who did business with us, and if any problems developed, follow those through and then try to get new business. This would have been about the fall of 1927.

Well, my territory was the Peninsula south as far as King City, and Marin County north as far as Eureka. So it called for a good deal of travel.

LaBerge: Where was your base?

Peterson: San Francisco. The Bay Area, particularly Oakland, Berkeley, and San Francisco, was taken care of by the more senior people in the office. As a matter of fact, the manager and the assistant manager would kind of handle that. The automobile dealers here were all mature and much too sophisticated for a twenty-one-year-old. Or maybe I was coming close to twenty-two by that time.

I enjoyed it, calling on existing customers, and taking care of any problems. But when it came to walking into new dealerships with, by this time, a little over a year's experience in a new business, I did not feel qualified to be there and to advise and solicit a dealer for all his finance business. This included financing his inventory requirements and the retail sales of his automobiles.

I can remember, it was all done with some measure of trepidation, particularly in Santa Rosa and San Jose and some of the bigger towns. I entered the door with a good deal of hesitation.

LaBerge: It was a different kind of a job than you'd been doing, too. I mean, salesmanship is--

Peterson: Well, also a twenty-two-year-old walking in the door to say, "Turn much of the riskiest part of your business over to me."

Well, after about I would say eight or ten months, Pat Riley found that out too. And so--

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LaBerge: What was Mr. Riley's reaction?

Peterson: Mr. Riley discovered that, as far as developing new dealerships and new business was concerned, I was a twenty-two-year-old failure. I was told by a couple of my pals in the office that it was their impression that he wanted to fire me. However,

about that time, two or three of the other men, including the assistant manager, intervened and reminded him of our Sacramento Valley record and so forth, and they'd like to have me there.

General Credit Manager

Peterson: So the result was they brought me into the other side of the business, what they called the credit department. That was the end that purchased all this business and approved the lines of credit for flooring and such.

LaBerge: Can you explain flooring again?

Peterson: Flooring was the trust receipts. That was paying for the cars when they were shipped to the dealer, the carload full of automobiles. We didn't have truckloads there. In other words, we would pay the invoice to the factory, the dealer would sign the trust receipt for each of those cars, and also pay us a 10 percent deposit. So we would have 90 percent of the dealer's cost invested in the car. And if it wasn't sold at the end of ninety days, we'd probably renew it for another ninety days, but he would have to pay another 10 percent, so we'd only have 80 percent of the cost of the car.

Well, Louis Cole, who was the assistant manager, asked me if I would go to work in the credit department, working under the credit manager there. And as it turned out, apparently he had something in mind, because three months later, I was made the general credit manager. I was brought in there really as an understudy. That was fascinating and I thoroughly enjoyed it. Now, I was getting closer to what I thought at least had some semblance of the banking business, which had been my major.

In the meantime, during my interlude in November of '27, I had married my fiancée, so I was now a married man and settled. This was when I thought--I had reached my goal of \$175 a month. I told Pat I would not marry until I could support her, and \$175 a month would do it.

But she announced, because she had left college and was working, "Well, I am going to continue in my job. But you are not going to touch a penny of that money, because we're going to save it up until we have enough there to go to Sweden." That was it. Of course, as we've already discussed, two and a half years later we were on our way.

LaBerge: So with this new credit job, did the salary go past \$175?

Peterson: Yes, it went a little past. I think it got up to \$187.50 or maybe \$200. Because by the time we left for Europe, I was up to \$225, really going strong.

LaBerge: Did you have to travel with this job?

Peterson: No. The service offices at Sacramento, Reno, Fresno, and San Jose would purchase the paper--I'm now talking about the conditional sales contract. The dealer would send it to them, and then they would check the credit and decide whether to purchase. Subsequently we would review the paper to be sure they were on track. And of course, being on track in those days, you did a certain amount of guessing, because there was a limited amount of information available. It was nothing like the sophistication we've known in the last twenty or thirty years.

LaBerge: What would some of the criteria be that you'd look for?

Peterson: Well, first, have verified employment and income, that he had a permanent job, and that he was in good standing. There would be some references on his application. But we did not have the accumulation of credit data from the stores and merchants that we've had for the last twenty or thirty years.

And so as a result, you were pretty much depending on that employment record as much as anything. Of course, when you had a field hand out working for a farmer somewhere, particularly on a used car, you didn't have always the most responsible sort of information. So there was a matter of judgment in the nature of this situation.

Apropos of that, I did not mention a situation that made my days particularly during that first six, eight months in the field so exciting. Commercial Credit had come out here and decided that with the year or so of experience they'd had in the East, they were now sophisticated enough that they could purchase from selected dealers and selected cars, like Chevrolet and Ford, on a non-recourse basis. Up to then, the dealer had guaranteed that if the man doesn't pay for his car and you repossess it, he would pay you the balance. Now, we were going to take that risk. We were sophisticated.

To make that particularly attractive, for a big dealer like Anderson-Smith, the big Chevrolet dealer in San Francisco, used to advertise, "\$125 down. Why walk?" So for those people who

didn't want to walk any longer, Commercial Credit bought that paper.

In those days, the normal requirement had been one-third down and twelve to fifteen months. Now, you bought a Chevrolet for \$125, which at that time would have been about 25 percent down, and you could have up to eighteen months. So, why walk?

That did not turn out to be successful, and as a result, we adjusters in the year of '26 were so very busy. We were repossessing quite a few cars.

LaBerge: But in '26, you could give them back to the dealers and they would pay.

Peterson: No, we had to sell it. Non-recourse meant that the dealer was through. By '27, we went back to the repurchase program under which the dealer, if we brought it back within ninety days of delinquency, had to repurchase for the balance due.

And interestingly enough, in the last few years, most of the retail business is now done on a non-recourse basis. Of course, the difference is that today we can learn in a matter of minutes about the record of any applicant before we agree to take it. In those early days, we did a good deal of guessing.

Lessons from Early Experience

LaBerge: In looking back, how would you say this experience affected your later career? What did you learn from this early experience in this new business and new credit line?

Peterson: Well, if you're out on the west side of the San Joaquin Valley, or up in the mountains, as a twenty-one-year-old, you didn't have anybody to consult with on what to do. You were faced many times with an individual or a farmer or whatever for whom this was an important decision. It might be a long trip to come back if he'd lied to you.

If you decided here was a sincere, hard-working person--and he pointed out that in the next two or three months he could, each payday, pay you enough to bring him reasonably current. Particularly if it was non-recourse, and you were saving Commercial Credit Company considerable money, because selling that car with \$125 down or whatever, was invariably a sizeable loss.

So that your judgment on that individual could be important to the company. Naturally, practice helps, to some day arrive at the proper decision in judging people. Also when you were covering as large an area as the Valley, you had to organize your effort and your work pretty well. That's something you would not experience if you'd started in a routine job in an office. Somebody else would have organized it for you.

LaBerge: And you really didn't have a blueprint for how to do this.

Peterson: Of course, that was the most exciting part of it, was that we not only were discussing it with our bosses, who weren't sure of the blueprint either, but we were discussing it among ourselves. Actually, during those years when I was a zone man, I would say that two-thirds of us most nights were in the office working until about 9:00. You didn't have any working hour limitations. We did get a dinner allowance of fifty or seventy-five cents.

The point I wanted to make was, we were there together in the evening, so a lot of this we were discussing and learning together among ourselves. It was an interesting gathering. Of course, our bosses had gone home, but we might have some questions to ask them the next day because of these discussions.

LaBerge: Were you convinced that you were in the right field, that you had made--that banking was what you were--

Peterson: Well, it was so exciting. I don't think we stopped to think whether we were convinced or not, we were having an awful lot of fun.

LaBerge: But isn't that wonderful? So many people are in jobs they don't like, that you really seemed to enjoy everything you were doing.

Peterson: That's right. That was so true.

Assistant Manager for Northern California and Nevada, 1929-1930

Peterson: And then about mid-'29, I'd been general credit manager for I guess about a year and a half, the management decided that it was time--they offered me the assistant managership. So I became assistant manager for all of northern California and Nevada, which had four service offices, as I've mentioned--Reno, Sacramento, San Jose, and Fresno.

I had responsibility of an organization of 200 or 300 people. Of course, by that time, I had had over three years experience. I was twenty-four years old; an old man.

LaBerge: Well, this is also the time of the Great Depression, when so many people were out of work, right?

Peterson: No. This was the late twenties.

LaBerge: Was it not '29? Oh, that's the stock market crash. That was later.

Peterson: This is the stock market. The Great Depression happened just as we took off for Sweden. The first break was the fall of '29. I was there until the summer of '30. The real Depression did not arrive here until about '31. Here in California, we were largely agricultural with small businesses and merchants, so the stock market and its crash in the fall of '29 did not bother us as much as in the East.

Businesses were shutting down in the beginning of '30 throughout the East and throughout the industrial Midwest. I'll come to that story later. I got involved in that.

But out here, really it was '31 before we really got the impact of the Depression.

LaBerge: So you were assistant credit manager--

Peterson: No, I was credit manager, and then I was made assistant manager. We would probably today call it operations manager. I was number two in northern California and Nevada.

LaBerge: Was that your last job before you left for Sweden?

Peterson: Yes. I had been assistant manager for a year or so when we left in the summer of '30 for Sweden.

LaBerge: Why don't you tell about deciding to leave the job and how you did not take a leave of absence?

Peterson: I went in to Dave Healey and told him a couple, three months in advance I was leaving. Later I had a summons from Mr. Fred Henry who was in charge of all the West, and this was also the headquarters for the western region. He heard that I was leaving and asked me to come in. We had quite a talk. When we were through, he said, "Well, Rudy, I know that in leaving, you'll have to resign, but when you come back, the door's still

open. Come on in and see me." So I was assured that I would not be completely forgotten.

Speaking of Dave Healey, that reminds me of an earlier incident. About the time I had been general credit manager for a year or so, one of my juniors was promoted to assistant manager in Portland, Oregon. Some months earlier, one of our very senior men had been promoted to manager there. Before he left, he had told me that once he was settled he was going to ask for me as the assistant manager. By this time, I was sufficiently spoiled that in my indignation I went to Dave Healey and said, "I'd like to resign."

Dave said, "Why?" I said, "Well, you just promoted so-and-so to assistant manager of Portland. I guess I haven't done a satisfactory job to qualify for that."

Dave said, "Well, that is not true. We have to plan ahead in this business. I wish that you would just agree to one thing: will you stay one more year, and if you're not happy at that time, I won't protest."

Well, of course, what he knew all the time--four months later, he made me assistant manager of San Francisco, which was three times as big as Oregon, and that's why I didn't get the job.

LaBerge: Right, and he couldn't tell you that.

Peterson: No. But he was that kind of a guy. So that was part of the fun. He was tough, but he was completely fair.

LaBerge: Did you learn things about managing from these various bosses that you had? About techniques?

Peterson: Yes, I did from Dave Healey. I was too young, in fairness to Pat Riley, but I don't think I would have learned a lot from him. I was not impressed with Pat Riley. But with Dave Healey, yes. His structuring of the organization, which he did during his period, and his technique was a type of supervision that was both educational to the recipient, and very helpful.

LaBerge: Well, he obviously made an impression on you, because he got you to stay when you were ready to go out the door. You must have come up with that later when you were--

Peterson: With Dave Healey as a model, I learned a good deal about supervising. Our growth was quite substantial, and our organization was being broadened with our four service offices

serving all of northern California and Nevada. The result was that I had a very busy and very interesting year in keeping track of these varied operations, and hiring new people and getting training programs underway.

LaBerge: So you were leaving with a wealth of experience, so when you came back to whatever you were going to do, you had that.

Meeting Mr. Duncan in Baltimore

Peterson: You see, by the time I left, I would have had four and a half years experience in a new business.

Well, now to pick up when I returned [from Sweden]: as I mentioned earlier, Pat had some family in the New York area, and we stopped off and spent a few days with them. Then we were headed back to the Coast, but we agreed we'd go down and spend a long weekend in Washington. Then on the way to the Coast to stop off in Ohio and have another visit with my brother and his family.

We left early Saturday morning and decided I would spend part of Saturday forenoon in Baltimore at the head office and visit there, and--

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LaBerge: You're stopping in Baltimore to go to the head office of Commercial Credit.

Peterson: To the head office. And Baltimore being Baltimore, Pat of course had two or three "musts" that she wanted to see in Baltimore that she'd read about, museums and such. So she had a busy morning all by herself all planned while I went up and visited with my two or three people who had been out on the Coast, auditors and supervisors from the mid-management area.

With my first time at the headquarters, they brought me around the headquarters to show me the head office. In the process, I made some mention of Mr. [A. E.] Duncan, that he'd been out on the Coast. I remember they said, "Well, do you know Mr. Duncan?" I said, "Yes, I know Mr. Duncan; he was out there and had a dinner. But he doesn't know me. I was at the other end of the table."

They said, "Oh, fine." And with that, we happened to be on the executive floor at that stage, so naturally I wound up in Mr. Duncan's office, and they excused themselves. Mr. Duncan asked me to sit down. They had mentioned to him that I had been in Europe.

But he had misunderstood it, so when I sat down, he said, "So you're on your way to Europe. I have some things I'd like to have you do while you're over there." Then he told me that they had bought Kemsley-Millbourne, a British company. They had bought the subsidiary here in the U.S. who had been financing inventories for automobile dealers as well as other specialized financing in various places in Europe and Latin America.

I said I was not going to Europe. "We just got back." Here I would have gotten everything paid for!

"Oh," he said, "well. Tell me about what you did." So I discussed our visit in Sweden briefly, but mostly of course as we went down into Germany and France and back up into and through Belgium, and then up into England and so forth. He very graciously asked a lot of questions, and naturally I enjoyed answering them.

He seemed to be quite impressed that I was able to get by in Germany with my German and so forth. He said, "You must speak Spanish." I said, "No, Mr. Duncan, not a word."

VI INTERLUDE IN MEXICO AND CUBA, 1930-1933

The Subsidiary, Kemsley-Millbourne

Peterson: "Well," he said, "I'd like to have you learn." And with that, he pointed out that Mexico and Guatemala was the biggest operation they had inherited in Kemsley-Millbourne, and he was having some real problems because Chase [Manhattan] Bank was financing our activities there. That is the subsidiary's activities. They were conducting both the flooring and financing of individual purchases. But of course, the dealers were doing their retail sales in pesos. The flooring was in dollars, and they owed us dollars. The sales of automobiles on an installment basis was in pesos, and we purchased the peso paper in terms of dollars, and retained a margin. We might advance on \$1,000, \$950. This margin was for the risk of exchange, so that there was some margin in case the exchange varied. This had been set for some years at 2.55 to the dollar.

So the Chase Bank was really lending the money to the subsidiary, in dollars, and financing it. So as a result, the Chase Bank was making reports regularly on the status of these obligations to headquarters, and being new, Mr. Duncan was interested in having his people check to see how they were getting along.

By the same token, the organization itself, Kemsley-Millbourne de Mexico, which also was handling Guatemala, would make their report on the status of delinquencies and repossessions and all that sort of thing. And Mr. Duncan's problem was they weren't agreeing. So he was concerned, and said he had not had anyone down there to look over the overall setup of the operation as such.

So he asked if I would consider going down there for two or three weeks, look it over. He said, "I would like to have a

copy of whatever reports you give to Kemsley-Millbourne," who were in New York.

Well, we talked, [laughs] and I remember distinctly, here was more excitement. He was telling me what a nice place Mexico was and what a lovely time he and his wife enjoyed when they visited down there. Giving me a big sales pitch, which was quite superfluous as far as that goes. I was already excited.

He said, "Of course, you'll take Mrs. Peterson with you." Well, I said, "Frankly, we've been gone for several months. We had plans to go back to San Francisco, and as long as I'm only going to be there two or three weeks, I think maybe rather than disappoint her family, she'll go on back to San Francisco. I will go down there, but I want to talk to her about it first." He said, "Of course."

So I said, "We have a date for lunch." He said, "Well, come back after lunch and tell me what you decide to do."

LaBerge: In this, he didn't have your résumé in front of him, or anything like that. Did he--he didn't have recommendations from--

Peterson: No. What happened, somebody came in, so I stepped out for a few minutes.

LaBerge: So he had a chance to call--

Peterson: In the meantime, he talked to Mr. Henry.

LaBerge: Okay, good.

Peterson: So he had talked to Mr. Henry and told him what he was trying to do.

So I met Pat for lunch, and of course, here was another adventure. But she said, "I think I should go back, so you go back to New York and meet with them and find out what it's all about, after we've visited with Carl." So we went on, spent a couple of days in Washington, then went on to Youngstown and spent two or three days with Carl and Betty. Then she went on and I went back to New York.

He told me he'd talked to Mr. Henry. Again he articulated his feeling that he would like to have me be certain to give him a copy of whatever reports that I thought would be of interest to senior management.

I reported then back in three or four days to New York and spent several days with them. I must say, I was rather impressed with how little I learned. In other words, I mentioned to Mr. [Paul A.] Appleby, who was the president of the subsidiary, the fact that Mr. Duncan was concerned. He implied that probably Chase Bank was wrong. They were just another bank, and confused, and wouldn't understand this business and know how to report on it. Generally, there was not much question in his mind.

But as I asked questions, both from him and his colleagues there, I was impressed by how little they knew, specifically, of what was going on. I'd been long enough at this now that I could ask at least some semi-intelligent questions.

They called after my reservations were set to go down by train, and told the general manager down there that I would be arriving the following Monday morning. I was coming down over the weekend.

Confronting Problems in Mexico

Peterson: So I did arrive the following Monday morning, and walked in, and no general manager. The organization themselves said, "Well, he's gone up to New York over the week--left--" and I don't think any of them knew that he'd taken the family.

Well, the net was he'd gone over the weekend with the family never to be seen. When that word came back, and New York knew nothing about it, of course the whole organization was a bit aghast. I just moved right ahead. They called me from headquarters, I think Harold Benson, and said, "Kind of keep track of things until we see what's really happened." So I did. But without going into detail, the net of what I found within the first few days was that the Chase Bank was right: the local organization really did not have the situation in hand, and there was an accumulation of problems. Delinquencies which they just had not brought to the attention of the headquarters, and largely because they didn't recognize the problem themselves.

LaBerge: Were the people who worked there Americans or Mexican nationals?

Peterson: Mexican nationals, all of them.

LaBerge: Had you learned Spanish in the span of a few weeks, or not?

Peterson: No. Fortunately, the manager's secretary spoke English--a very attractive young lady. Her sister worked there, too, and they both understood English. I think their father was working for an American company, so they probably spoke some English at home. And a couple of the senior men there were pretty mature men, and also understood English. So for my purposes, the language was no impediment, because there was enough English spoken that I could take care very readily.

LaBerge: Did you become the general manager, then?

Peterson: No. Not at that stage. [looks at notes] Well, I would say within a matter of two or three weeks, yes. But there was a good deal of talk back and forth.

In the meantime, there was a lot going on obviously between headquarters of the parent, between Baltimore and New York. As a matter of fact, I was quite impressed because as I sent in preliminary reports, I would get telegram queries from Mr. Duncan, and almost minutes later, the same query from Mr. Appleby, or vice versa. In other words, there was a lot of conversation going on between them.

So it took about the better part of a month. In the meantime, I was busy, concerned with some of the obvious problems, and bringing them into focus. So I would say that I had been there about three or four weeks when Mr. Duncan called me and said, "Would you take over the management, and tell us what we can do to bring Mrs. Peterson down with you? You'd better prepare for an indefinite stay," which was pretty obvious from then on.

In the meantime obviously I had gotten into problems of my own that I saw ahead. On one of these conversations with Mr. Duncan, he had said, "Do you need some help?" and I said, "Yes. I want somebody who can run the internal operation while I'm out identifying our problems and getting that underway."

He said, "Do you have any in mind?" I said, "Yes, Ken Wilt at San Francisco," who had been one of our key men when I was there. I knew if I mentioned it to Mr. Duncan, there was no problem with it. And naturally, he called out there and the next word I had, Ken was on his way. So he came down and took over the operation.

In the meantime, Paul Bolton, who you'll hear about again, had been in the Midwest. He reported directly to Mr. Wareheim, who was president, and looked into various situations all through the Middle Western area. He was ten or fifteen years

older than I was, and mature, and very competent. So he came down, I would say at the end of two or three months.

LaBerge: Just for a visit?

Peterson: No, he came down with the intent that we were to work together. And as a matter of fact, actually what happened for two or three months there, Paul said, "Well, you seem to be at home. Let me take care of the problems right in Mexico City," and he had me doing the traveling. So I was out with the problems all over Mexico and Guatemala, handling that end, and he was handling some of the serious problems we had with a couple of distributors in the city, and of course doing it very capably.

[laughs] At that time, we didn't have time to figure out where the jurisdiction was, let's get the job done. He was, as far as I was concerned, a senior man. But he didn't make anything out of that. He said, "Just let's divide this up and go ahead." And we did. Unfortunately for me, after two or three months, he got shingles and had to go back. But by that time, he had given me a head start, because some of the situations with big distributorships, he had reasonably on track so that at least I had to follow through; I didn't have to start from scratch. He had given me quite a start on them.

Mexico Goes Off the Gold Standard

Peterson: Well, in the meantime, while Paul was there, we both were terribly concerned about this tremendous \$3.5-\$4 million outstanding, which meant on the current ratio we were talking about 10 million pesos or more. And if anything should happen to the exchange rate, Paul particularly was sophisticated enough that he knew that Mexico was not impervious. They had had this rate for a long time, but something could happen.

So, we went to a couple of the Mexican banks, and they both said, "Yes, we will convert your dollars to pesos--we will lend you the dollars." In other words, they would take the exchange risk on it. "However, we want Commercial Credit Company, your parent, to guarantee it."

Well, we passed that word on to Harold Benson, who was the senior credit officer; we didn't bother Mr. Duncan with this. Harold said, "Well, that sounds interesting." He was senior officer at the money end of the Commercial Credit Company. He called us back in two or three days and said, "Mr. Duncan tells

me that we have never had to guarantee the obligations of any of our subsidiaries, and we're not starting now."

Well, the sequel to that is that Paul left. In about three or four more months, all of a sudden Mexico went off the gold standard. Within ten days, our 2.55 exchange rate was up to 4.75. Needless to say, I started off in violating my instructions by not converting our peso collections every day to dollars--

LaBerge: Which was what you had been doing--

Peterson: That was our instruction: every day it was converted to dollars. And with the 2.55, fine. We got our dollars, everything was clear, and the dealer was in the clear, and so forth.

I was very busy, because the dealers who had sold us this paper and incurred these dollar obligations were broke, or would be in a very few weeks. So they were in waiting outside, and they only had one question to ask me: "Are you going to set an exchange rate that is liveable, or should we take bankruptcy, 'liquidation judicial'?"

Well, I didn't sleep very well for a couple of nights. Then I probably discussed it with Ken Wilt, but it was a--I finally came back to them and said, "Yes, we will--" I think our rate we set was 3.50. It was then at 4.75. And of course, I simply let the pesos accumulate. We didn't do any converting.

The net result of that was that in the course of then about a month, this gradually settled down below 4, and of course, once it was well below 4, I started to convert the pesos. In the course of two or three months, the Mexican government established a rate of, as I recall, around 3.60. I know I missed it. I went the wrong way--around 3.60+. I missed it by somewhere between five and ten points.

LaBerge: That's not bad!

Peterson: A, it was plain luck, and B, I had to arbitrarily--I didn't want to stop the flow of hundreds of thousands of dollars. So I just took something halfway between 4.75 and 2.55. I think that's about as scientific as I was.

But in any event, we came out pretty well, and moved on from there.

That brings on an anecdote. Harold Benson then, with all this excitement, and being the senior money officer of Commercial Credit Company and had been for years, came on down. [laughs] I told Harold, "Harold, I had no right to make these decisions, and these included a lot of decisions I made when I stopped converting money, and even worse, when I arbitrarily set a rate of conversion and such. But I kept wiring New York, and nobody would come down. I wanted somebody with me."

Harold listened patiently, and finally smiled and said, "Rudy, you should have known that no senior officer was going to come down here and stick his neck out. You're twenty-six years old. You're quite dispensable." That was my answer. [laughter]

Liquidation of Mexican Operation

Peterson: But Harold then stayed on, and we covered a good deal of ground. He was down there for about a week with us. With that, we were on our way. As it turned out, things from there moved on with Ken running the internal and the organization setup--we in the meantime had decided to liquidate the organization, that this was no place for us.

LaBerge: Did you take care of that job, of the liquidation?

Peterson: In other words, we had stopped buying any new paper, and we were not doing any flooring. Fortunately, to help it along, the other big national company in the U.S. was CIT [Commercial Investment Trust] Corporation, and they had just opened up as this happened.

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LaBerge: CIT had opened up, and GMAC [General Motors Acceptance Corporation]--

Peterson: GMAC had come down there a little before I got there, and had opened up for business. Then a few months later, CIT came down and opened up. So for the better dealers, there was a place to go as we were getting out. Of course, that was a tremendous help.

I must say also that it turned out to be a pretty orderly liquidation, in the sense that I was impressed by the sense of responsibility among most of the dealers. I don't remember a

single fraud situation. And with all the pressures that you have just listened to, you could see where if you'd been in this country, you'd at least have had a few real rascals.

Some of them were not as competent as they might have been, but it was surprising in a business that was as new as this was down there, that there was not more complications of at least malpractice.

Actually, we had no conditional sales contract law. If you had agreed to pay for this car in eighteen months, we had eighteen promissory notes, [one] for each installment. Likewise, we had a promissory note as our obligation for our inventory, our flooring, as we called it. We did not have a trust receipt act. So we were depending upon an understanding, with both the dealers and the retail buyers. There was no criminal liability if they sold the cars and didn't pay. Legally both were unsecured obligations.

But we had some pressures where some were selling out of trust, but not in any big way. It was just they had something else they had to pay for here, and we had to wait. But generally speaking, our losses were largely on what we called the retail business, rather than selling a lot of inventory and not paying us for it.

Historical Situation of Mexico

Peterson: [We were very premature in this Mexico setting with our type of financing and banking activities. Both GMAC and CIT Corporation, who were just getting underway when I arrived, within a year or so had to leave for the same reasons.

Actually, it was less than twenty years previous that the Porfirio Diaz era had ended. This had been thirty-five years in which the dictator and a few big landowners had run the country. The rest of the population were peasants living in uniform poverty. Any semblance of law and order, of a government of that day with legal codes and any sort of judiciary system, was unknown. Following 1911 and Porfirio Diaz' day were some ten or twelve years of confusion. There was a series of short-lived regimes which tried to form some sort of government without much success. Hence, it was a very disorganized and confused era. My own impression was that even the big landowners had reasons to question how they might come out.

In the latter part of this period President Plutarco Elias Calles, the governor of the state of Sonora, had tried to provide a helping hand in 1920. He had been Secretary of the Interior and contributed some sense of order to the government entering the twenties. In 1924, he was elected President and proceeded to very gradually bring some order to the chaos. The big Labor Party was formed in 1929 and of course has consistently since been a major factor in helping to build a sense of modern government into Mexico. President Calles had just stepped aside and Ortiz Rubio had taken over about the time we came along in 1930. However, Calles continued very much the coach for some years.

So by 1930, there was a beginning of orderly government and a start of a court system with a limited number of legal statutes. This was still a long ways from orderly government as we had known it for many years both in Europe and the U.S. However, all this made the setting more intriguing for a couple of twenty-six-year-olds.

Fortunately, our attorney and legal counsel was a native who had gotten his law degree in the United States. About the time we got there, he also became the dean of the new law school at the University of Mexico. Naturally, we were fortunate to have him and he played a very major role in helping us carry through our liquidation program in some sort of orderly fashion. This involved legal complications, new lawsuits and a series of court hearings to complete all this in semi-orderly fashion.

Our personal friendship that developed with our scholarly attorney provided a lot of fascinating discussions. Our social visits together went well beyond legal discussion. Not only was there a measure of philosophy in it all, it was interesting to learn from our Mexican friends and veteran European residents as well about their ideas where Mexico was headed. Human rights and economics obviously were major subjects of discussion in this formative state of the Mexico we know today.]¹

Social Life in Mexico

Peterson: This was all very educational, but equally educational was an extra dividend we had in our social life. There were very few Americans in Mexico at that time. The Americans that came down

¹Bracketed material added by Mr. Peterson during the editing process.

were there to inspect a limited enterprise that they might have, and got out of there as fast as they could. So the result was, there were three clubs: the French club, the German club, and the British or English club. None of them were big enough, at least they thought, to have a party of their own, so they invited the other two clubs in when they had a dinner dance or whatever. And fortunately, being one of the few American couples who lived down there, we were included.

And here were these two twenty-six-year-olds with these sophisticated German, French, and English who had been there for years, forties and fifties, and--well, you can imagine what a pleasant and interesting life it was. Generally speaking, the really successful department stores were French families, or French--I know our closest friends were a Frenchman who was married to a Swiss, equally charming lady, and they were running the biggest brewery down there. It was a French brewery, of course.

The Germans were more--they had set up more industrial type organizations as distinct from merchandising. What little manufacturing there was would more likely be German than anything else.

And the British were kind of scattered around in various activities. The other distinct nationality down there was--our telephones were Swedish, the Swedish telephone company was there.

LaBerge: Oh, you're kidding!

Peterson: [laughs] But we didn't have a lot of Swedish friends. I guess they could run a telephone company mostly with Mexican talent.

We [Americans] are just learning. We had no concept of entering a land such as this, and waiting to understand. We assumed if they weren't like us and didn't do things the way we did, they were wrong. It was interesting to see the extent to which the Germans and the French particularly adapted their practices, whether it be marketing or manufacturing or whether it be running a big ranch, to the country and to the people. And you can imagine the education that it gave a naive American twenty-six-year-old.

Prelude to International Banking

LaBerge: I would think then later too, when you were with the Bank of America and you were expanding the international business, that that experience helped you a lot.

Peterson: I had ten years international experience in less than two years. I could not have gotten this anywhere else. The reason I've taken a disproportionate amount of time on Mexico is simply that I got a start there, a) what to do when you have a tremendous problem situation, and b), on the international scene, the idea of adjusting yourself to the country, not trying to bring your own concepts into that country.

How helpful these lessons were going to be thirty years later. Thanks to my predecessor, who had done such a beautiful job of structuring Bank of America domestically, I devoted in the sixties at least two-thirds of my effort to building and developing and structuring the international side of this bank. And you know, time and again I said, "Well, gee, that's where I got this idea."

We only had one branch in Guatemala when I came here in the sixties, and in the Latin countries, there was general resistance to American banks. Of course, the local bankers were all for it too. So Citicorp was the only one there in a major way.

Thanks to Bank of America's record and history we probably had less resistance than most banks. My statement was still, "We will not come in unless we're invited." In other words, we did not try to strong-arm ourselves in any of those countries. And of course, usually you wind up being invited, if you really are sincere. I think it was that policy here that had as much to do with our success in entering all these countries as anything.

But going back to Mexico, it was just a treat for the two of us. When we left there, we had more friends in Europe than we had in the United States. And of course, they remained friends. We saw a lot of a good many of them over the years.

For example, if anybody was going to Europe, half the time, "Well, come by and have cocktails," and then we'd see them off on the train. It would be groups of a dozen or so seeing somebody off, and often it was the same kind of greeting when they returned. It was a really quite intimate and delightful arrangement.

LaBerge: So what year did you leave Mexico?

Peterson: At the end of 1931. Everyone agreed that the show was on the road. We had inherited a veteran European, so we left him in charge. Ken Wilt was also able to go back shortly after we left. It was just before Christmas, so Pat went back directly home to San Francisco. I went up to check in to New York, and then went down to Baltimore and reviewed the situation there and the liquidation program that we'd set up. Everyone agreed that we were well on our way at that point.

Mission to Cuba

Peterson: I, of course, thought I was going home for Christmas. When I got down to Baltimore, there was a message from Mr. Wareheim. He was on his way back from visiting our operations in South Africa. The message was, "Would you hold Peterson," because he wanted to talk to me.

This was just a few days before Christmas. Fortunately, we had good friends in Washington, who had been with us in Mexico, so I went down and had Christmas with them, and then met with Mr. Wareheim right after Christmas.

He of course had been close to the Mexican situation, so I discussed it fully with him and Harold Benson. So he said, "Well, I wanted to catch you because I would like to have you go to Cuba."

I said, "Well, Cuba you've had in liquidation now for some time." He said, "Yes, but in the final wind-up, I'd like to have you look it over and set it up to where it can be carried through to conclusion." It seems we had some transactions there which involved both Chrysler Corporation and I think General Electric. Certain liquidation situations they had asked us to handle in a certain way, and the loss, I guess, it was to be split. I didn't go into that detail.

He said, "I'd like to have you down there at that end while I carry through these negotiations with the heads of Chrysler and General Electric." He assured me that, "just a couple of weeks."

Well, of course, I arrived right at the beginning of January, and as it turned out, it was the better part of a couple of months.

LaBerge: Did Mrs. Peterson join you or not?

Peterson: No, you see, because it was only going to be a couple of weeks again. The liquidation was set up so that our man in Mexico could supervise and carry through the liquidation. That was easy, and all set. The only trouble was, Mr. Wareheim took so long to get at his negotiations. When I complained about that, he said, "Well, after what you had in Mexico, I thought you should have a few days on the beach." [laughter] Delightful guy.

VII BACK TO COMMERCIAL CREDIT IN THE MIDWEST, 1933-1936

Depression in the Midwest

Peterson: So when I came back--this was, remember, the beginning of 1932, the depth of the Depression--he said, "We're having quite a time in the Midwest. I wish you'd go over and talk to Harold Benson, because you've now been well trained, and we'd like to have you spend some time there."

I went over and sat down with Harold and he said, "Yes, I wish you'd send for Pat and have her meet you in Minneapolis. We'd like to have you plan to--"

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LaBerge: Okay, spend some time in Minneapolis.

Peterson: "Minneapolis, and we have real problems in North Dakota. They have declared a moratorium in 1931 on all debt up in the state of North Dakota, and we'd like to have you get into that situation. But basically, all through the area west of the Mississippi, we'd like to have you plan to visit the branches there, spend whatever time you feel is necessary in each branch. Make yourselves comfortable with an apartment or a suite or whatever, and take your time throughout that area."

He pointed out that here was an area that was just getting into serious difficulty. It was of course largely an agricultural environment. In other words, Chicago and St. Louis and all those industrial areas to the east, they'd had their Depression. This more agricultural area hadn't gotten into a crisis situation. However, by now, prices were down and there was no market for their products, and it was really getting rather critical. He wanted me to spend whatever time necessary to go over their problems with them, and see what could be done.

LaBerge: Was this mainly automobiles still, or was it more than that?

Peterson: No, this is still largely automobiles and trucks. Commercial Credit handled other products, but out in these country setups like Sioux City and Omaha and Kansas City, and further west in Denver, Casper, Wyoming, and Rapid City, there it was largely transportation.

So Pat met me in Minneapolis. Winter was still strong. Between Minneapolis and North Dakota, I probably spent the better part of a month up there.

[Next on the agenda was our Sioux City branch. This operation handled a substantial portion of western Iowa and the important eastern half of South Dakota.

We had a temporary living arrangement in a nice suite. Because they had had some really very serious situations develop, we spent about a week there. The branch was a mess and the area was truly in distress. We wound up with quite a reorganization in the branch including new management. At the end of that period, I think the problem was straightened out. I had summoned one of our more experienced men there in the Middle West to come up to Sioux City and kind of take over until this would work itself out. Two or three visits followed after we had established our regional headquarters in Omaha.

Omaha branch was next with a somewhat smaller section of eastern Iowa but substantially all of Nebraska. While the Omaha branch operation was more orderly, they also had some really major problems we reviewed in a preliminary way and agreed on some preliminary program to hopefully head toward its solution.

About this time the home office asked us if we, as soon as convenient, could head out west to Rapid City and Casper, Wyoming, and later on, to Denver. Hence, I decided we needed some transportation of our own in moving around to these various problem areas. As a result, we were able to purchase a six-month-old Ford Model A Coupe with just a few thousand miles on it for \$220. Another example that the Depression was very real. After a week or so in Omaha, we were on our way westward.]¹

LaBerge: Did you sort of live on the road these--or did you have an apartment in one city?

¹Bracketed material added by Mr. Peterson during the editing process.

Peterson: In each city, the branch managers lived there, so they'd arrange a nice suite where we could have our own dinner if we wanted. It varied from place to place, but we always had a couple of weeks or more, and it always had a very comfortable place for us to stay.

We headed toward Rapid City, crossed part of western Nebraska and part of western South Dakota. This was the area, coming right down from North Dakota, where they had seven years of drought. So, I mean, the grass didn't even look full-grown, completely dry grass. And this was early summer. The grasshoppers were coming through. The devastation was awful all through that whole sector which had been this wonderful green productive land. Most of the towns we passed through were semi-abandoned. I had to stop the car regularly because the grasshoppers completely plugged up the radiator. I had to get something and scrape them off.

Those settlements were where the immigrants came, and those established communities were now half-abandoned towns. Here was a cross-section of our country settled by immigrants. They were the cream of northern Europe, who had finally reached a point of complete desperation.

We went on to Rapid City and Casper, Wyoming. They really didn't have serious problems. Rapid City was the center for mining of gold and timber products in the Black Hills of South Dakota, so it wasn't a case of desperation. Caspar, of course, was typically Wyoming, big ranches and such, and they weren't hungry. There were no big payrolls that had been cut off with people out of work. I was really out there not so much because of problems but because nobody had gotten there. The instructions were, "Please go out and let us know how they're getting on."

Desperation of the Farmers

Peterson: [We heard so much of the farmers, particularly some of the younger men, who were stopping trucks and cars with the idea of destroying any products, dumping milk, or if they had eggs or whatever. They had a nonsensical theory that if they destroyed enough products maybe the price would come back and you could make it worthwhile. It was complete lawlessness among the most lawful people in the world. I assumed it was something of that order, and felt there was no reason so we drove on.]

Fortunately, we saw no evidence of this on our way out. However, this route provided us with an incident of our own returning eastward towards Sioux City. We took a road further to the north. While driving between O'Neill and Sioux City on our way back, all of a sudden there were a bunch of men standing by the road, waving at us to stop. About a quarter of a mile down the road, the signal had been passed, so when we arrived, here were a bunch of railroad ties across the road. With that, we did stop.

Two or three young men came up and said they wanted the keys to the car. They wanted to look in the trunk and in back and see that there was nothing there that we shouldn't have. I was just tired and annoyed enough to ask if they had a search warrant. Fortunately, they didn't pull me out of the car and give me the results of that remark.

But because it provided time at least for a couple of obviously legitimate farmers to step up to the car and say, "Well, would you mind giving us the key? We know you haven't got any eggs or milk, but that will take care of the situation." Very decent, and of course, I promptly gave them the key. They looked in back, and we went on.

But this was the kind of the mood of the whole countryside. It was, I presume, historic, but it was a rather unpleasant and unhappy situation through that entire area.]¹

New York Life Insurance Man and Max Perry

[Interview 4: March 16, 1993] ##

Peterson: Before we left Omaha, over in Iowa near the Nebraska border, the insurance companies were faced with foreclosures on ranches and other properties. I think it was a ranch, and this New York Life man, attorney, had come out to handle a foreclosure. When he got into town, a group of men gathered around. Somebody had a rope, and said, "Well, are you going to foreclose?" I mean, the threat was there.

To bring this home to roost--later on, when we had set ourselves up in Omaha and I was to supervise that whole area of branches and problems. This is 1932. Max Perry called me one

¹Bracketed material added by Mr. Peterson during the editing process.

day. He was one of the members of our staff. As I recall, this concerned a rancher, broke in terms of--he couldn't get any money. So Max went over there to see what could be done, if there was any chance, or if we simply had to take the trucks back.

This was not far from the same town and the New York Life incident. I guess Max maybe called ahead to be sure this man would be around, because he wanted to see him. Max had come over from Sioux City. He got there, and he said he noticed some people were apparently expecting him. I think this man had said, "I'll meet you in town."

But anyway, here was quite a group of men gathered around, again. They said, "Well, you heard about what happened over here," and gave the name of the town where the guy was with the rope and so forth. Max said, "Yes."

They said, "Well maybe we should talk this over with you." Well, to make a long story short, Max said, "Well, just a minute. Let's talk this over." Finally he said, "Let me talk to my boss." So he called me in Omaha and told me what was happening.

Of course, I said, "Max, you explain to them that we will defer this until later on to give this man more time, and all I want you to do is get out of there. You call me the moment you can get to a telephone when you're out of town. If I don't hear from you, I think I know the people well enough here in Omaha"--and Omaha, as you know, is right on the border--"and I am sure they can get in touch with a sheriff or somebody in authority over there to get to your community in Iowa in a hurry." He was only about fifty, sixty miles away.

In about fifteen minutes, he called me.

LaBerge: And said, "I'm out"?

Peterson: "I'm out, I'm on my way." I merely cite those incidents because to us, or to those people, in a normal situation all this would have made no sense at all. They were just desperate.

Omaha Headquarters

Peterson: With a short stopover in Sioux City we again returned to Omaha.

By this time, it was pretty much agreed that we would set up an organization in Omaha as a kind of focal point for this problem area on a temporary basis, of course. In doing that, the problems in Kansas and Colorado were such that the regional manager in what was known as the Kansas City region came up and joined me, and we kind of put the whole thing together, territory-wise. We worked together throughout this entire area, running all the way of course up to the Canadian border. In other words, it included Minnesota and the Dakotas.

LaBerge: What was his name?

Peterson: Gene Griffith. And he was an old friend; I had known him in the earlier days at Commercial Credit Company. Actually, he at one time had run our Casper operation. He had grown up in Wyoming.

Well, in the ensuing four or five months, we of course structured an organization to carry on and work with the various branches and their problems. Some of these we of course got into ourselves. But about December, the end of the year, we had gotten far enough along and by that time, Mr. Wareheim, the president of the company, came out to spend a day or two with us.

Of course, we sat down with him for a day or so and reviewed some of the more serious situations, what our programs were or what we thought they ought to be, to carry on toward ultimate liquidation.

I remember in that session, we had been out to dinner and were continuing on rather late in the evening, about 9:00 or 10:00. I guess we were all beginning to get a bit tired. Mr. Wareheim turned to me and said, "You know, Peterson, you will decide anything." Of course, he was thinking of shades of carry-over from Mexico, where I had been alone and had no choice. [laughs]

I said, "Well, I'm still willing to listen." He said, "Yes, but you'll make up your mind. That's certain." And some of these problems, you might say, involved a good deal of money so that it called for consultation. So I heard him very clearly.

However, before he left, he indicated that he thought we were far enough along so that Gene Griffith could carry on, and within some reasonable period of time, he'd like to have us report in to Chicago. Things were getting underway and picking up, and he felt that Jack Sebald needed some additional

assistance, now that we were rebuilding, so to speak, in that part of the world.

Birth of Linnea, 1933

Peterson: In the meantime, we of course were living in anticipation with our firstborn due to arrive. She made a little history by being born at 2:30 on New Year's morning, which made her the number two childbirth in the state of Nebraska.

LaBerge: And this is Linnea?

Peterson: Her name was Linnea. Pat's choice, I think, was Leslie, but in the meantime, she had suggested that I write home to my mother in Sweden and see what names she liked, girls' names, in Swedish. In due course, we received a response with a list of interesting names, and at the top of the list was Linnea. So that took care of that.

In the meantime, the other grandmother, Pat's mother, having come there for the birth and being with us for a few days, and during this period of indecision. For some time in her correspondence she wasn't sure, so she always referred to "L.L.," because her name was Leslie Linnea, but Linnea was finally it.

LaBerge: What year is this?

Peterson: January 1, 1933.

LaBerge: How long were you in Omaha after that?

Peterson: We left Omaha about the first of February.

LaBerge: I see, so that wasn't too long.

Peterson: No, everything went well.

LaBerge: Had you been regional manager in Omaha? Was that your title?

Peterson: No. We had no titles. Omaha was an interim situation, and--

LaBerge: You were just doing a job.

Peterson: --the problem was getting the job done. Gene Griffith and I shared responsibility and divided up the chores as we moved along with various parts of the organization.

LaBerge: This is kind of a personal note, but it is interesting: how did Pat like this whole period of time, both traveling around with you and living in the Midwest, and doing I don't know what during the day while you were out chasing down trucks?

Peterson: I think she enjoyed the trip and the visits out to Rapid City and Casper. Both were very pleasant stays of ten days or so each. As distinct from Minneapolis and Dakotas and Fargo and Sioux City, these were not serious problems, so our visit was a little more relaxed. Rapid City, with the Black Hills, provided for a delightful couple of weekends fishing and into the Black Hills there, and an interesting country. You'll recall the Black Hills is where you have the four faces of our four leaders--

LaBerge: Mount Rushmore.

Peterson: --carved into the mountain.

And much was the same out in Casper. Not as spectacular, but very delightful people and an enjoyable visit.

However, after riding back across the country, and a couple of months on her way, I'm not so sure that she got quite that excited over Sioux City or Omaha. We did have a lovely apartment, and close to the country club there in Omaha. And we of course had some enjoyable visits with friends. But, it was winter, and there was very little between the North Pole and Omaha except the stock yards, which Omaha was famous for in those days.

Assignment to Chicago Region

Peterson: Well, the Chicago region included part of what I had been in, Minnesota, and North and South Dakota, and then Wisconsin, and on down to Illinois and Iowa and Indiana, and of course Michigan and part of western Ohio. So it was a pretty large chunk of the United States which was really coming back and becoming more active.

LaBerge: What were your responsibilities in Chicago?

Peterson: My job there was to be the assistant to the regional manager, Jack Sebald, who fortunately I had known. I was not the number two man, but I handled various assignments and situations throughout these branches, under his jurisdiction.

He was not only a very outstanding executive with a sense of imagination and conception, but along with it, a scholar as well. As a result, our relationship with the Sebalds of course became a very delightful one for the ensuing four years that we were to be there. Fortunately for us, we had both settled in Evanston.

Bank Holiday in Michigan

Peterson: However, we had only been there about a month when the great bank holiday came along. With that, really, my first assignment was to go to Detroit and see what could be done there.

LaBerge: Was this holiday national or was it just Michigan?

Peterson: National. But when I say that, I am inclined to think--I believe the Detroit holiday started a few days ahead of the national. And because of the situation and from our standpoint, the size of the operation at Detroit, this became very important.

LaBerge: Were you mainly dealing with Chrysler or with all the auto companies?

Peterson: There, I was dealing with Chrysler because of our ties with them, but of course, we had handled business for Ford, Chevrolet, and the other companies as well.

LaBerge: So what did you do when you went to Detroit?

Peterson: Actually, it was a case of setting up the people and a program for meeting with individuals, and to some extent the dealers. Some from both categories needed extensions and reprogramming of their indebtedness. Fortunately, some of the organizations were very cooperative, which made this situation considerably less serious than it could have been. For example, the automobile companies all advanced their taxes for the entire year immediately to the state, which permitted the state to pay its employees with some interruption, but on a pretty orderly basis. Such measures were taken by various companies also, and of course, a lot of our debtors were industrial employees. So that

we were able, with a limited deferral, to set them up on a new program of repayment which did not become a problem.

Obviously, there were many where the closing of the banks for a couple of weeks and then reopening was not too serious a problem. Within thirty or sixty days they were back right on schedule. So it was not a case of having to revise thousands of accounts. It was a relatively limited number. And the result of that was that within about a month, and I was able to come back to Chicago.

LaBerge: Throughout this whole period, you were really having to not only do the financial work, but dealing with people's lives. I wonder how you did that, with staying sensitive to everybody's problems, but also having to be a businessperson.

Peterson: Well, it was pretty much a case of deciding a), how sincere and responsible they were, and b) what their capacity was to remedy the situation. If both fitted reasonably well, then that meant they were ready to sit down and discuss a reasonable basis, consistent with their capacity, to catch up or repay, or on an extended basis, or whatever was necessary. And of course, my job was to see that this was held in reasonable measure in various branches by the people there, and hadn't gotten out of hand. So it was a matter of judging the capacity of our key people in the branch who were handling these problems.

Hiring New Personnel

Peterson: However, back in Chicago, in contrast with Omaha and the area I'd been in, there was quite a different situation. In other words, the reason that Wareheim wanted me to go back was to rebuild and rehabilitate the branches, train new personnel, because the recovery was on its way. This area had been through much of it. Its difficult period was earlier than the area that I had just left and the recovery was on its way.

As a result, my activities here were largely in restructuring and in enlarging the capacity of our organization, our branch people, to handle the business that was now being rebuilt. It also meant that of course, we were setting up facilities with new dealers who were coming into the business, to replace those who might have failed during the Depression. Others were rebuilding their organization from a very low ebb, because they got down to pretty close to zero. Naturally, even those who were fairly successful had work to do.

LaBerge: Were you doing a lot of hiring?

Peterson: Yes. That was one of the interesting setups, because the last thing we had needed for the past three or four years in Chicago was the personnel department to hire people. We were unfortunately having to go in the reverse direction. And now we were ready to train people. This, of course, as usual meant that you wanted to select outstanding key people who could learn fast and assume responsibility more rapidly than normal.

Fortunately for us, we of course had a good deal to do with the Federal Reserve Bank, of which the number two unit was there in Chicago, along with the local banks. They were not hiring. Their business was pretty dull at this point.

In the meantime, they were receiving applications from outstanding young college graduates, all the way from the Ivy League schools on out to the University of Chicago itself. This was an area that kind of intrigued me anyway, so I took it upon myself to be the start of a personnel department, and had met with a number of the banks and the Federal Reserve. They agreed that they would pick out some of the choice men and send them over, if we were interested in hiring them, because they couldn't.

The result of that was that I wound up in the next few months hiring some forty-three outstanding young men. Many were sent out to the various branches as they were needed.

An interesting phenomena was here we were in Chicago, the local banks and the Federal Reserve that sent them to me were in Chicago. Of the forty-three men I hired, only two had grown up in the Chicago environs. All the rest had been from the small towns throughout this area, i.e. Wisconsin, Minnesota, Iowa, and elsewhere, and had gone off to college. They not only were the selected men on my part, but the selected men that these banks chose to recommend to us.

LaBerge: That says something about growing up in a small--

Peterson: Yes. And in retrospect, it was very interesting. A very substantial majority of those, within a few years, were branch managers or key people. I was interested naturally in following up after I had left as to what happened, and it was quite a confirmation of the talent that we had been fortunate enough to receive.

LaBerge: And that was a new part of your job, to do hiring? You hadn't done any of that before.

Peterson: No. Naturally, after this was on its way, and we set up an appropriate personnel department, Jack Sebald had much more for me to do.

So the ensuing time, next couple of years, were active in helping structure the organization throughout the Midwest, and--

Training Programs

LaBerge: So you were setting up training programs --

Peterson: [Yes, training programs in our new personnel department. Concurrently, of course, we had to have programs to develop dealer relationships and along with this competitive financing plans to present to those dealers. There were also the plans and relationships to work out with the many manufacturers and distributors to finance inventory to all these dealerships. With the economy reviving, all of this and more had to be done contemporaneously. So it was a busy season.]¹

LaBerge: Would you have written guidelines, then?

Peterson: Yes, written guidelines in manual form for the more technical part of the business such as the accounting, record keeping, schedule of rates and charges, et cetera. However, the educational program largely came from the give-and-take of group meetings with several branches at a time and in turn, following up in meetings with the individual branches.

And of course, as an indication that things were really coming back, in 1934 the World's Fair was in Chicago, and '35, and it was extremely well attended. That kind of was in keeping with the return of activity and business for that area.

And incidental to that, was of course fortunately a number of our friends, both from Europe and from various parts of the United States, came to visit Chicago, so that it was a rather enjoyable period for us as well.

¹Bracketed material added by Mr. Peterson during the editing process.

Living in Evanston

Peterson: We during this period were living out in Evanston, a couple of blocks from Northwestern University. It was interesting to us, both having grown up on the West Coast, to find yourself kind of serving a tentative period of--from a social standpoint, what do I mean--of qualifying, so to speak, in contrast with the openness that we were accustomed to out here in California, and particularly both having grown up in relatively smaller communities as well. But we seemed to, after six or eight months, qualify, and the result was we wound up with a very delightful circle of friends out in Evanston.

LaBerge: Well, Evanston too is different from Chicago.

Peterson: Oh, yes! Well, that's the point I'm making. I mean, you didn't live in Evanston unless you--prior to the Depression, it was an old community and a lot of family background and that sort of thing. Many of our friends were second or third generation there. But it was very nice, and small groups of us would go down to the lovely Drake Hotel right there on the lakeshore, particularly on Friday night, dinner and dancing in the loveliest of environments was \$1.50 per head. So we could afford it. Incidentally, I had reached the point of \$300 a month at that time.

About four or five months after I arrived in Chicago, the number two man, the general credit manager, who had jurisdiction over the caliber of business we did throughout this entire area, died. He was an old friend of mine. So Jack Sebald asked me to take over as general credit manager of this area, which was why I was so involved in training people and training the organizations, and seeing that proper supervision and training was carried on during all this rebuilding process.

Operations Manager, 1935

LaBerge: So you were still doing a lot of traveling?

Peterson: Yes. But not as much as I was about to do.

About the middle of '35, Mr. Wareheim and Mr. Duncan and their colleagues had decided we had reached the point of sophistication, I guess, that we could lean a little more heavily on the branches to carry on with more limited

supervision. So they divided the United States into four divisions, and Canada was the fifth one. That meant that now, the new Middle West Division constituted what had been four regions. It extended from the Rockies to pretty close to the Alleghenies, and of course from the Canadian border down to the borders of Texas and Arkansas and Oklahoma.

So the result of that was I was selected as what they now called operations manager for the division, which again was the number two assignment. My agenda consisted of kind of catching up on Monday with the accumulations on my desk, and the rest of the week, Tuesday through Friday, visiting branches throughout this area. Which meant that at least two or three nights were spent on Pullmans between places.

This, of course, was equally exciting but a little more arduous, and there wasn't much beyond weekends at home with the family.

LaBerge: Evanston was a nice place for Pat to be while you were away.

Peterson: Yes. It was delightful, and of course, by this time, we were very much at home there, with friends, so that her activity was entirely pleasant. We had delightful weekends.

LaBerge: During this time, because I know you're about to go to the bank somehow, had you ever thought of looking for a job with another company, or with a bank, or back in California?

Peterson: No, I had not. [laughs] I had been too busy. And of course, while these were not--the Mexico and the early part of this Midwest era were not particularly pleasant but terribly interesting. In other words, you were dealing with not a problem now and then; you just had a series of problems every day, and each one was a challenge. All of them involved people, which made them all the more intriguing.

But there was one interesting coincidence, which I've thought of often: in my last year or so in California before we left for Sweden, I had become acquainted with Berkley Neustadt, who was the vice president of the Anglo Bank here in San Francisco. It so happened that the Anglo Bank and the Shawmut Bank of New England were the only two banks in the United States that had been in the automobile finance business, consistently. Others had tried it, and after six or eight months and few losses, would get out. Those two were truly professional and had stayed with it.

Berkley Neustadt and I used to have lunch together once in a while, and more than once, we said, "Gee, if the--" at that time it was, "If the Bank of America, with all the branches they have throughout this state, and they know all those individual buyers better than we even know our dealers. What a tremendous potential, what a job they could really do!"

Visit with Paul Bolton and the Bank of America

Peterson: So all of a sudden, in the Christmastime of 1935, we, as we had done on a couple of occasions, went out and spent Christmas holidays here in the Bay Area. An interesting preliminary to that was that the chap who got shingles down in Mexico and had to go back was a very senior member of the Commercial Credit organization. He had left Commercial Credit during the Depression and was with the Federal Reserve Bank down in Los Angeles, which was of course a very major unit.

LaBerge: This is Paul Bolton?

Peterson: Paul Bolton. He had come East to visit, and stopped over in Chicago, and of course stayed with us out in Evanston overnight. The following morning down in my office, he received a long-distance call from the Pacific Coast from Joe Rosenberg. He was the senior vice president of Bank of America in southern California. Because of Paul's association with Commercial Credit, and because Joe Rosenberg was very much part of the discussion group with the Gianninis, who were discussing whether they should go into this business, Joe had talked with Paul Bolton a great deal about this.

This telephone call to my office was to tell Paul that he hoped that Paul could get back quite soon, because they had decided and were ready to go into the business. He wanted to talk to Paul about joining the Bank of America. This was in December of 1935.

At Christmas Linnea and Pat went directly back to San Francisco, and I returned to the Coast via Los Angeles and stopped off to stay overnight with Paul and Mona. He, of course, knew I was coming, so I went into the office to see him that afternoon. He had a couple of other men from the bank there, and we went out and had a cocktail before we went to his home for dinner.

By the time I had left the gathering, I had agreed to go into headquarters and San Francisco and visit with Hugh Cleary, who was then the number two man in Bank of America. They had made a specific date. So the result was that I, in the course of the following week, went over and visited with Mr. Cleary. He told me that they were definitely getting into the business of financing, not only in the automobile area, but also the appliance area. They had been for two or three years in the personal loan business, so that consumer credit was not entirely new to them. They had started that in about the early thirties.

Then, the FHA [Federal Housing Authority] had come out with a modernization plan for repairing and improving your home, which had a measure of government guarantee behind it, and they were in that activity. So they had something underway. Of course, this was relatively small compared with the potential of household appliances and particularly automobiles. But they were getting ready to go, and he felt that maybe it would be interesting to me to come home.

We discussed it at considerable length. I made it clear that, while I was very happy professionally and business-wise in my current assignments, I would give serious consideration not only to the potential possibilities that were there for the bank, but also getting back to the Coast.

So that's a long answer to your short question.

LaBerge: But it's very interesting how it all happens. I'm sure people want to know, or would look at you and what your career has been, and think, "Well, maybe he had a game plan all along. He was planning to go back to the Coast and planning to go back to the bank," and just wondering how people do live their lives.

Peterson: Well, that's true.

Offer from the Bank, 1936

Peterson: Well, to continue on: we returned, of course, after New Year's Day, to Chicago, and I went on about my business. In May, I received a letter from Mr. [E. A.] Mattison, who had now joined the bank early in the year, and was in charge of this area. Matty had come from Pacific Finance, which was a finance company out here on the Coast, a sectional finance company as distinct from--that had been founded some time after Commercial Credit

and GMAC. He had been a senior man there, and obviously been very successful.

It was a two-page letter. When I was through reading it, I didn't have any questions to ask. They had anticipated any question I would have, and it didn't take me very long to decide this was what I wanted to do.

LaBerge: Had you ever met him?

Peterson: No.

So as a result, within the next day or two, I called Mr. Wareheim. Mr. Wareheim and Mr. Duncan and Harry Matthews, who was another one of the senior group there in Baltimore, were in [the] Greenbriar [West Virginia]. They had decided that they would like to relax and go there with their wives, take some time off. Mr. Wareheim said, "Well, at the rate you've been going, covering all that territory out there in the Midwest, I think you probably need some rest. Why don't you come here?"

[laughs] I said, "Nothing doing: you'll talk me out of it." He said, "Fine, I'll come there," and the next morning he was in Chicago. [laughs]

Well, we sat down for a couple of hours, and discussed the pros and cons of all this. Of course, his concerns were not entirely confined to his interest in Commercial Credit, but as he pointed out, and I had to agree, that over a period of the previous ten years, banks had come and gone in this business. Except for the two that I cited to you earlier, they had been in the business for a year or so, and then gone out of it. He said, "This is the chance you're taking."

I, of course, agreed that that was a real possibility. There was, of course in this case, the fact that they had faced up to problems of structure and organization. They had been in the personal loan business for five or six years, so the retail business wasn't entirely new. And I did feel that their philosophy and success in doing so many unorthodox things per bankers' concepts of the day, such as lending to small farmers and to small business, gave them a feel for the consumer and the little fellow more than most banks in the country. And he didn't quarrel with that.

So when we were all through, he said, "All right, I give up. You win." But he said, "Now, I have known A. P. Giannini for some time quite well. Would you like to have me call him up and tell him who you are and what it's all about?" I said, "No,

I think that the discussion that's gone on is probably ample, but thank you so much."

He said, "All right. Now, I hope I'm wrong, but if I should be right, remember, don't come in the back alley entrance. The front door is wide open. Come back and see us." And that was typically Wareheim.

So with that, we got ready to get underway.

LaBerge: That was in May. When did you leave?

Peterson: That was in May, and I reported for work July 1, so we got ready to get underway and back in June.

LaBerge: To San Francisco?

Peterson: Yes.

LaBerge: Where was Pat's family living by then?

Peterson: They lived in San Leandro.

LaBerge: Because hadn't they been in Sonoma or Sonoma--?

Peterson: No, that was Pat's--Pat's father died while we were in college, and her mother moved down to San Francisco. So Pat and her mother had lived in an apartment up on Russian Hill.

VIII EARLY CAREER WITH THE BANK OF AMERICA: TIMEPLAN 1936-1946

Mario Giannini's Meetings with Branch Managers

LaBerge: So when you reported to the Bank of America, you were working under Mr. Mattison?

Peterson: Yes. I reported in to Mr. Mattison, to Matty, as we called him. We spent two or three days reviewing the activity as such.

In the meantime, during that period, this being the middle of 1936, Mario Giannini, who was then the chief executive and the president, was having a series of meetings with all 475 branch managers in the state. It was day after day, I'd say between twenty and thirty would be gathered in groups. The reason for the meetings was that the Depression for agriculture started well before the market break of 1929. So they gradually had to centralize the problem situations, because not only were there problems in the established branches, but in the ensuing years, they bought a good many independent banks. Ironically now, the problems of these new branches were the deals that they had turned down. Now the supervisory government agencies had asked Bank of America to give a helping hand and take over.

So they felt that they needed expertise, people who were familiar with the problems, so needed to concentrate these problems at headquarters. Now, his purpose of having the branch managers in was, as he wound it up beautifully, "The time has come for you gentlemen to take over."

Each branch, incidentally, had a local advisory board that met usually once a month, just like the directors of the whole bank did. Mario continued, "You and your advisory board take over, do the necessary. We leave it to your judgment. In the meantime, we are here to provide you with any information you want, assist you in reaching your decisions, but the decision is

yours from now on." In other words, he was putting the authority back out in the branches. They were again the bankers of their community, which was kind of interesting.

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LaBerge: So the authority was given back to the branches, to make their own decisions.

Peterson: That's right.

LaBerge: And were you in on this?

Peterson: Yes, I sat in on two sessions. There were obviously limitations on the amount and terms. In an unusual or very major loan situation, they would be expected to come in and consult with somebody more senior.

Setting up Installment Credit

LaBerge: But that whole concept affected what you were doing with installment loans.

Peterson: Absolutely. In other words, it was the very thing I referred to earlier. Here, for the first time, would be an organization that was out there among the buyers, among the debtors, and also across the street or around the corner from the suppliers of this business, the automobile dealers. Which meant an intimacy and an ability to watch and know what was going on more than anybody sitting up in Los Angeles or San Francisco.

This was, of course, the reason all of us came. And incidentally, apropos of that, it was interesting, not only was Paul Bolton on the payroll down south, but a week after I arrived, Ken Wilt arrived, who was also in Mexico, you will recall. He was now managing for Commercial Credit, Boise and the Utah-Idaho area. They had approached him, and he had written me. Of course, I knew he was coming. He had written me in Chicago and asked what I thought about it.

Then CIT Corporation was another major--CIT and Commercial Credit were the two who left the textile business to go into this business. I think Ben Broderick had been in charge of all northern California for them. Then there were two or three others which I won't go into detail, so we were all together

about eight or nine who had really spent our career in this business.

San Joaquin Valley District

Peterson: And that brings up the subject, because we were divided up into districts. I think it was when I came back from a meeting with Mario, Matty said, "Well, you probably want to know where you're going to be. What we'd like to have you do is, will you take the San Joaquin Valley?" Which had some eighty-odd branches in it. He said, "You would have all the branches from Modesto to Bakersfield."

I said, "Well, that's very interesting, after ten and a half years. That's where in 1926 I chased the ones who didn't pay, from Modesto to Bakersfield." But it didn't take me long, because I also realized that this was the part of California that probably in many ways was choice, was coming back, and I knew that this did have some advantages.

When I came back and brought this up with two of my future colleagues, who were on a par with me but they would be there in headquarters and they had been there for some time--one of them had been with the bank a long time--and Bill Serungard had been in the finance business. He had been with Pacific Finance; he had come shortly after Matty came. Frank Young had come from the Canadian banking system but was a highly respected credit loan man in the bank. Both in their late thirties.

I said, "Well, Matty has told me that I'm supposed to go down to the San Joaquin Valley." They said, "Yes. What do you think?" I said, "Well, I think it would be very interesting." They kind of--I knew they had something on their mind. [laughs] They said, "Well, it's a tough one. It's a tough assignment."

I said, "Why?" They said, "Some of the most senior managers in the bank, several of them have been presidents of independent banks and such, starting with Mr. [Ralph] Heaton at Fresno Main and Harry Lemmon up at Merced, and Ace Diamond down at Bakersfield--they're pretty tough numbers, as a matter of fact. When they started FHA [Federal Housing Authority] Title II"--which is the program that they came out with in '34 in which the government, to revive the economy, recognized that new housing would be one of the best ways to do it. The government gave a partial guarantee to any legitimate business you did on construction of new homes, or the financing of existing homes.

They said, "A couple of young fellows went down there to promote that. After two or three weeks, they came back. It had been made very clear to them that they didn't need any young blood down there. They'd financed housing from the time this bank was well underway," and so forth and so on. So my new colleagues were rather apprehensive that I was going to come down to these sophisticated bankers with something new.

Well, I learned about that rather soon, because when I--my headquarters was to be Fresno--so naturally, I checked in when I arrived there with Mr. Heaton. Mr. Heaton greeted me very graciously and said, in effect, "Well, we're so glad you're here. We've heard about you for weeks. We understand that you're going to come down here and put us in the auto finance business and make us hundreds of thousands of dollars," and so forth.

I listened until he was out of breath. I got the sense of what was going on, so I said, "Well, I'm sorry, Mr. Heaton, but there must be some misunderstanding. I understood I came down here to keep you fellows from losing your shirt. This is a business that has to be developed, in my opinion, very gradually and on a very selective basis, and particularly when we have only semi-trained people handling it. In my opinion, we'd move very gradually, and on a very selective basis. And that means it will take quite some time before you make thousands, much less hundreds of thousands."

Well, [laughs] he knew that I knew that he was-- . So we went on from there.

LaBerge: Possibly no one else had ever answered him back, or--?

Peterson: Well, I don't--they probably had, but they were a lot older, anyway. In any event, then he said, "Well, now, you've got to have a place here, and I think that the place for you to be is over with a desk in the department that handles this business." Of course, a department was already set up.

I said, "No, I don't think so, Mr. Heaton. First and most important, I don't want them feeling that I'm looking over their shoulder. We'll work together and collaborate. And secondly, of course, I don't need a nice big corner here." They were already very crowded, by the way. "There are seventy-nine or eighty more branches that I'm going to be visiting up and down the Valley, so I'll be gone most of the time."



Linnea, Pat, and Price Peterson, 1938.

Well, he said, "Fine, I understand." So then he called over--what in those days the guy who ran the shop was called--the chief clerk, and said, "Will you find a place for Mr. Peterson to sit?" He said, "Unfortunately, we don't have a place up in the building now."

The chief clerk was obviously thoroughly unimpressed, so I wound up with a desk about half-size, and all around me were bookkeeping machines and the bookkeepers. There was room to sit down. It was a little noisy, but that didn't bother me. Apropos of which, one of the young nineteen- or twenty-year-olds remarked in passing after I'd been there a couple of days, "Gee, you're lucky. You get to sit down." [laughter] He was of course busy punching his bookkeeping machine.

I was properly adjusted by my environment, because this continued on for about a month or two when I was there. If one of my good friends from New York or Chicago came in, which they did on several occasions, were kind of curious, the only way I could visit with them was to go to an empty teller's window and hang out through the window.

In about sixty days, Ralph called me, and here was a very lovely suite prepared upstairs. And by that time, I also needed an assistant and a secretary and so forth. I had been busy out traveling prior to that.

But that was my introduction to the tough customers of the bank up and down the Valley, and of course, as you would suspect, they not only were capable but they were resourceful. They were the key to much of the success that followed.

Birth of Price. 1936

LaBerge: Did your family move to Fresno, or where were you living?

Peterson: No, because [laughs] again, we were celebrating our arrival with the birth of our son, Price, on July 5, which was just after we'd gotten there and were with the family. As a matter of fact, the doctor had suggested to Pat, "You know, this--" in those days, you didn't know whether it was a boy or a girl--"we can make this really worthwhile and make it on July 4."

Pat said, "Nothing doing. With one youngster on January 1, and my birthday on St. Patrick's Day, no!"

LaBerge: No more holidays!

Peterson: No more holidays.

LaBerge: So you were traveling, too, when she was quite near--

Peterson: Oh, yes. And I would come up every other weekend or so with them. But no, I was really on the run.

So they moved down, they came down and joined me in the fall. I was down there about three or four months by myself. However, we again had a--we rented, fortunately, a very lovely home halfway to the golf club in a very nice section, so we started off in good order.

Monthly Timeplan Meetings

LaBerge: Besides traveling up and down to the branches, then did you travel back to headquarters too for meetings?

Peterson: Yes. As a matter of fact, I think one of the keys to the success of this business were these meetings. It became rather spectacular as you will see, within the first year. Matty started with the key people from both southern California and northern California once a month. We spent Saturday in a meeting together, exchanging ideas and making suggestions, all day in San Francisco at headquarters. This way, we also brought the whole structure together, and took advantage of that situation.

LaBerge: Was this the program called Timeplan?

Peterson: Yes. Originally, it was the installment loan department, and then it became the Timeplan loan department. Timeplan was of course featured, and it was an excellent name, because any layman could understand what it meant. Of course, there was a good deal of advertising and promotion that went with it.

Well, as I've said, at the early stages, it was primarily visiting with the branches, consulting with them on what they were doing, and then also of course meeting with the dealers in these various communities. We discussed with them our program and our plans, and pointing out what we felt were the advantages of dealing with the bank.

Fortunately, there was considerable advantage, not only in the local contact that we were close by, but the fact that our rate structure competitively was somewhat less than the finance companies. Our rate structure compared to GMAC was about 10 percent better. But with the other organizations, it ran closer to 20 percent.

So there was a real difference there, but as far as the dealers were concerned, that wasn't the only consideration. Because you see, when they sold a car under a repurchase agreement with us or GMAC or whoever, if it became delinquent and we returned that car to them within ninety days of delinquency, they had to pay us back the balance. So how closely would we follow up those accounts? If they had a lot of accounts go sixty or seventy days without proper attention and bring the cars back, the differential we provided could disappear very quickly. They knew what GMAC or Commercial Credit or CIT Corporation or Pacific Finance could do. That had been proven over the years. And we were new. So that was something they had to look at.

As far as flooring was concerned, which was of course a direct cost to them, there the differential was fairly modest. We had a little advantage.

LaBerge: Why had banks come and gone in this business before? Did Mr. Wareheim worry a little bit, the bank wouldn't stay in this--

Peterson: Well, because a), they had not recognized the knowledge and understanding you needed of the people who selected the business, and carried on the relationships; b), they did not have capable people trained; and c), management did not follow up with the proper supervision. In other words, it was not that vital to them.

In many cases, they'd confine themselves to business with businesspeople or a selective private clientele. And here, you're looking at a few different criteria. You're looking only at moral responsibility, the record of paying bills.

Financing Automobiles: A New Venture for the Bank

Peterson: Commercial Credit, CIT, and GMAC, when they got into the business, it was completely new and they knew it was new. So they took it slowly, step by step, and be sure they had the trained people handling it. These banks had seen the success of

these companies. They knew the dealers in town, and so they'd go into it and think they could just turn it over to some of the clerical group and with a limited supervision have them handle it.

Well, as I said, the important thing, of course, was not only--we were doing two types of automobile business which I have not mentioned. If somebody wanted to buy a new car or a used car, they could come in to us and discuss it with us. And then we had the forms by which we either, they signed a chattel mortgage, and the dealer supplied us with proper identification, or we had a kind of an agreement that they could take with them to the dealer, that upon presentation of a conditional sales contract, we would pay the dealer.

But it was a direct deal. It was about a 25 percent saving to the customer. And obviously, people who took the trouble to come in to the bank and do this were the selected cross-section. But because of the saving them some 25 percent on costs, the more intelligent people who knew about it came in. We did this part of the business for six to twelve months before we got into the dealer end of the show. With the dealer, we could check up on the buyer if we felt we needed to. But if from survey, it looked reasonably all right, with his repurchase agreement, we didn't quarrel. Of course, if he wanted us to check on the buyer--but normally, he didn't bother. He was interested in selling automobiles, and obviously, he wasn't going to be as selective as we had been on this, what we called the direct business. But with the repurchase agreement, that was, particularly with used cars, we felt a logical risk for him to take. In other words, as long as it wasn't too great. He needed to sell the used cars and move his inventory.

But we in turn then, and this of course was--I guess we have to say the secret of having those of us who'd been in it for years--we were very selective of the dealers. Naturally, it was relatively simple, because the Ford, Chevrolet, Buick and Dodge dealers were usually the cream dealers in any community. So those [four] we were interested in. DeSoto and Chrysler and Pontiac, and to some extent Oldsmobile, they were good automobiles, but they had not been around and as well established.

We concentrated on these better dealers as such. In the meantime, naturally GMAC and Commercial Credit and our competitors were very busy convincing the dealers, or trying to, that this would be another temporary deal. They would point out whenever banks got into it, and when times got a little tough, well, they would run for cover and so forth. And again, that

was the advantage of having those who had been in it for ten years talking to the dealers. A good deal of my time, when we really got into the dealer business, was to sit down with the dealers and have a full discussion with them.

It was kind of interesting, because Mr. Heaton, among other managers, would say, "Well, this sounds very good. Now, we'll call Joe Doakes in and have him sit down with you." I said, "No, I'll go see Mr. Doakes. You call him and tell him that I'm legitimate, that's all I want. Then let me go over and talk to him." We all made a point of that. In other words, sitting down with a dealer in his place of business.

Anecdote on Visalia Dealership

Peterson: Which reminds me of a cute story in Visalia. When I came in first to visit the Chevrolet dealer there, he obviously had finished college about the time I did, and then had gone to work for Goodyear Tire and Rubber. He was assigned to the San Joaquin Valley, to cover of course all their outlets. He'd been doing that two or three years, and he decided that he was intrigued, and he'd learned that the Chevrolet dealership in Visalia was for sale.

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LaBerge: The Chevrolet dealership was for sale in Visalia.

Peterson: Yes. And so he had some money saved, and it may have been that he had family from whom he got some more, but anyway he got enough money to buy it out, and went on into the business. Of course, he set himself up with GMAC for financing his cars.

Then he decided, "Well, after all, now I'm a businessman in town. I should probably have a line of credit with the local bank." So he went in to the local bank (which we later bought), and he had to make two or three calls before he could get an appointment with the president. But he did get an appointment, got in to see the president. He had carefully prepared his balance sheet and operating statements to bring in and show them to him.

He said the president sat him down and he offered him the balance sheets. The president took out his pencil, and went down the line on the asset side, and he left cash alone. He crossed off accounts receivable. He crossed off notes

receivable. He crossed off used cars, but he left the new cars alone. But he said, "You can imagine what that looked like with nothing but my cash and my new cars, and all the liabilities on the other side!"

So he said, "I leaned over and said, 'Thank you very much.' With that, I went home without a line of credit at my bank."

A few years later, Bank of America bought this bank. He said, "The first thing I knew, in walks the manager there, who had just come to town and turned out to be a veteran we all knew. He said, 'We've just taken over here, and I'd like to know how we can be more useful to you, whether you need facilities or need a loan or whatever, we'd like to help.'"

"I turned to him and said, 'Will you please say that all over again, and slowly? [laughter] I want to be sure.'"

So he said, "Now, I'm a little reminded of all this, because here you come in from a bank, and you want to outdo GMAC." It was up to us to be distinct and talk slowly with some of these dealers, before they listened. Sometimes it took a while. However, the fact that we were there, the fact that we knew them, and more important that they knew our manager and our people, and the record we had within the state as a whole, was a big help.

The Bank of America's Philosophy

LaBerge: Just from the little I read about A. P. Giannini and the history of the bank, it sounds like what you're talking about is an ongoing atmosphere of the Bank of America, is that right?

Peterson: Yes. This was a particularly timely occasion to get underway. In other words, the economy as a whole here in California in 1936 was just coming back. For example--I was going to give this to you--[looking at papers; pause] I had some figures I wanted to give you.

LaBerge: About the economy coming back?

Peterson: Yes. [tape interruption]

In 1936, the farm income in California was \$600 billion. That was a 13 percent increase in one year. And incidentally, the B of A deposits that year increased by 12 1/2 percent, but



Mario and A. P. Giannini

Photo by Time, Inc.

the more interesting thing in this context is that our savings deposits hit a record of \$559 million. That's individual savings deposits, which was the largest bank in savings deposits in the United States.

Incidentally, by five years later, 1940, just to indicate that that momentum was going, the individual savings deposits had increased by 60 percent. In other words, in another four more years, the momentum was such that it had maintained itself. It was now \$875 million, and was by a wider margin than ever the number one U.S. bank when it came to savings.

LaBerge: Being the largest bank, how did it still keep the small-town feeling, so that individual customers felt like they were individuals and not another account or another--?

Peterson: I think it was maintained by the fact that--partially the physical setup, partially the approach to the customers. Number one, not a single branch manager sat in a private office. They all sat out in the open. There was a little conference room next door, so a customer could have privacy if he wanted, but they sat out in the open. They were there and available. And no matter who it was, he could get right to the branch manager. And in many cases, this manager was a pretty senior guy. He'd been the president of a bank somewhere, or that sort of thing.

The second I think was the general atmosphere, that you were there to serve the customer, and there was no concern over rank. If you didn't know how to do something, it was understood that whoever you went to would help you. Helping each other, of course, was always the program setup. Whether you were a teller or officer, your job was to bring more customers into the bank.

There was a real esprit de corps, and of course, it was a real help even when I came along. A. P. Giannini spent an awful lot of his time visiting the branches, and particularly he continued on after Mario was chief executive. As you know, Mario could not go out and visit branches because of his illness, his hemophilia. So A. P. continued that on, and I saw evidence of that. He never left a branch without going around and shaking hands with all the tellers. If he'd visited there within the last four or five years, he'd probably call most of the tellers by name. This sort of thing was going on all over throughout the organization.

And then I think this was perpetuated to a great extent by what the bank was doing itself. In other words, when the Depression set in, as I pointed out, we had been the agricultural bank, we had financed farms and so forth, and

suddenly prices were down, markets were limited, and foreclosures came along.

California Lands

Peterson: Well, at that time, we were of course very closely related to Transamerica, and so Transamerica set up a subsidiary known as California Lands, to which we could lend money legitimately to the extent they needed it. As we had to foreclose, we could pass that foreclosure on to California Lands. If we'd have kept it, we'd have to within a limited period sell it for whatever the market would bring. There were some we did sell, because they were hopeless or such. But the vast majority were perfectly legitimate economic farms.

So we set up a reserve, California Lands bought it at a fairly reasonable price. They continued to maintain it. If the farmer, even though he was losing his farm, had been a competent farmer and diligent, he was the one that probably continued to run the ranch. Time and again, years later, Transamerica would sell it back to the farmer when he could afford it.

Just a few houses away from us was one of the men of California Lands, he was supervising these farms, many of which were being run by the original owner. Whereas, under normal circumstances, if there had been a regular foreclosure, it had been sold within six months at the best price they could get and that's it. Here they were maintaining these farms.

LaBerge: And they would get a salary or something like that from California Lands?

Peterson: Yes, they would get something out of the farm's revenue. Enough to pay for their food bill, and not much more, probably.

In other words, the constructive approach was taken to work something out and preserve the interest of the man who had bought it in the first place.

Burke Critchfield and the Wine Industry after Prohibition

Peterson: I'll give you another example. We had had Prohibition. That was rather hard on the wine industry. In 1934 is about the time

that Prohibition stopped. The California wineries were down at the bottom, and of course, they didn't have the market to buy the grape growers' crops.

So our vice president Burke Critchfield¹ suggested, and a group of the wineries put together \$100,000 and formed a corporation. Now, that gave us a unit to lend money to, a perfectly legitimate unit. So we supplied them with the money they needed, and they bought the grapes from the grower at a price that would at least cover the farmer's cost and give him a little something, so that he at least had a market for his grapes. Then they would of course develop the wine, or highproof, which was a requirement for wine. We would finance the inventory.

In the meantime, Burke Critchfield and his group were out there carrying on a marketing program of California wines in the Eastern states, in the markets that they had never really had. Of course, the French were supplying in great abundance.

We, the bank, legitimately lent this corporation several million dollars, which admittedly was a little strong, but it was secured by this wine in the warehouse. In the meantime, Critchfield and his crew were pushing this marketing program on wine. For three successive years, they increased the consumption of wine 20 percent. At the end of four years, they had doubled the consumption of wine, from '36 to '40.

At the fifth year, which I am quite familiar with because I had been in the center of this during those years. The fifth year I was asked to come up to the head office and take over the statewide in San Francisco. I would see them--the Seagrams and the Schenleys were out here trying to buy these wineries. So the broke winery families were suddenly, some of them, almost on the verge of being millionaires. From there on, the wine business in California went.

But the point was that this was going on, and all these farmers saw it. That is why you have the warmth and the understanding between the public and the bank branches. And of course, wherever possible, the branch manager and his colleagues were very much part of this deal. In other words, Burke Critchfield kept them out in the front. If you were down in Reedley where you had a lot of vineyards, for example, well, the Reedley branch had a good deal to do with these transactions as they moved through from the growers on to the winery and on into the corporation that Burke Critchfield kept track of.

¹Burke H. Critchfield, California Wine Industry During the Depression, Regional Oral History Office, University of California, Berkeley, 1972.

Ensuring a Fair Price

Peterson: But I have an example of the attitude on the bank's side in an incident Ralph Heaton told me about. Rosenberg Brothers and Company had for years--and I knew them as a kid--been the big buyers of grapes in the San Joaquin Valley. They were headquartered in Fresno. They had always come in and gotten their line of credit reestablished each year for several million to cover the purchase of grapes, and in due course it would be paid back.

This was in 1936, by the way. Ralph Heaton was telling me one day that someone from Rosenberg Brothers had come in and said he wanted to set up their line of credit for this year to buy grapes. Ralph Heaton asked him what he was going to pay per ton of the various types. He outlined it.

Ralph said, "Well, that's all right. Good luck to you, but you're not going to do that with our money." He asked, "What do you mean?" Ralph replied, "You know damn well that you're not paying them enough to cover grower's cost up to now on grapes, and we both know that."

"Okay, what should we do?" "Well, let's sit down and review it," and, as Ralph said, "in due course before we were through, we had arrived at a figure that at least covered the farmer's cost and gave him a modest margin." But that story wasn't confined I'm sure to that platform. This was the key to a line of credit all through the Valley, unless he paid the rancher a fair price.

Southern Pacific Land

Peterson: But I think that is the best answer I can provide, and maybe I should give you one more sequel on that. Within our own show, Tom Coughran was the manager of our branch at Exeter, and this happened about that time too. Exeter, as you know, is right in the middle between Porterville and Visalia and Lindsay and all those communities up and down there that produce in large volume everything from citrus to grapes to prunes and plums and olives and such. It's a very productive area.

As a result, there was a need for packing plants and to process fruits and foods and such down there. The logical place to build these facilities by these successful people were on the

properties owned by the Southern Pacific. Of course, the railroad was very important. It was important for them to be close to the railroad.

But the Southern Pacific owned the land, and Tom was faced with the problem of how do you finance property when you don't have any title to the land under it? That was unheard of and not done. While he'd been manager for several years--he had graduated from Stanford about ten years earlier and come back and gone to work for the independent bank in Exeter. He'd grown up in that area, and after three or four years the president of that bank, after Bank of America purchased it, was sent up to Ralph Heaton at Fresno Main, and Tom became the manager in Exeter.

He felt that this was very interesting, and these were very sound firms that wanted to build these plants. So he called Ralph Heaton and said he had a problem here because--he told him briefly what it was--could he come up and talk with him about it? And Ralph said, "Yes, come up after 5:00 tonight, and we'll go over it. By the way, Ace Diamond," whom Tom knew, "who's the manager of Bakersfield, is coming up here anyway. So we'll all three of us sit down."

Here were two of the busiest bankers in northern California, and they were the key men in the San Joaquin Valley. They sat down with Tom and they had dinner. And about midnight, they finished working out how they would do this. And here was Tom, a thirty-five-year-old, and two busy key men, devoted a whole half a night to solving his problem.

And that was typical of our organization all through. It didn't make any difference what your title was or who you were, if you needed help, you'd go to somebody who you thought could help you and vice versa. You may go up the line or down the line.

LaBerge: How was the problem solved? Did they buy the land from Southern Pacific?

Peterson: No, it took certain waivers. I'm not sure that I know the technicalities, but I remember hearing of them. Later on, it became general practice. Here it was just starting; and they were innovating.

But the point of my story is that one of the youngest managers in the Valley could ask a couple of the veterans to help him, and there was no question, they just stopped everything.

Dealer Equipment: Distributors of Appliances

Peterson: One activity we have not mentioned is what we call dealer equipment, and about 90 percent of that was household appliances that we financed. There again, we also financed the inventory for what we call flooring, and with the same setup as you use for automobiles. In other words, you had to pay for it the moment you sold it.

This we did not do "direct" for obvious reasons. They were \$300 and \$400 items. We simply discounted contracts for dealers. But in the early stages, we were pretty well limited to established firms, where there was no question of their repurchase agreement to repurchase if the customer hadn't paid. They of course would have to go out and get their refrigerator or whatever, and there was no question of the flooring and the credit risk involved.

During this period, in many areas, the General Electric and Westinghouse, and the appliance and household utility companies had come of age and were expanding. The distributors in San Francisco and Los Angeles realized to get their share of the market, the extent that they could make this an attractive thing for small enterprise to get into, they would enlarge their market considerably.

So the result was that we, for the first time anybody had done this, went to the distributor and said, "Here, if you're willing to take the merchandising risk, we're there on the ground, we're willing to take the moral risk."

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LaBerge: Okay, you're dealing directly with the distributors.

Peterson: The distributors. In other words, there would be a distributor for General Electric, or Westinghouse, or Maytag, et cetera.

LaBerge: Rather than like Montgomery Ward or Sears? Each company had their own--

Peterson: No, this was purely a distributor, and they were selling to the retail stores throughout California. But the point was that the appliance business was something that a man who knew something about merchandising, and with just a few thousand dollars, could set himself up in business. He could become a much more intelligent merchandiser of appliances than a big hardware store who had a hell of a lot of other things to keep track of. This

would be his business, could be his livelihood. So this appealed to the distributor as a marketing opportunity for them to vastly expand their business, and it did.

But, as these ventures were too new for us to take a chance on financing a lot of inventory for this little fellow that had a couple, three thousand dollars or so. But as I've said, we said, "If you will take the moral risk. But if he can't sell his inventory, and the new refrigerators and appliances and washing machines have to be taken back, you take them back and repay us. But if he has sold the flooring, under the trust receipt, and it's not there, that's our problem."

The same thing with the retail sales. "If you will assure us that you will repurchase, then we will see that he repossesses the used merchandise. Meantime we'll finance him. And if there's anything irregular about the transaction, or we haven't notified you, then if we've neglected our side of the show, you have no risk."

In the meantime, normally the charge for financing a refrigerator was around 10 percent. We were willing to do it for around 6 to 7. We might set aside maybe 1 percent of that for the distributor to protect him on the losses he took on the used refrigerators or whatever. So that he theoretically could wind up with no loss, even though he had to resell some of the used merchandise himself. And as it turned out, he rarely had any.

This appealed to them very much, and the result was that we made a real volume business out of what had been a rather small part of any portfolio. This was all handled locally by our branches.

LaBerge: And this was all still a part of the Timeplan.

Peterson: This is Timeplan. Timeplan had four sectors: automobile, direct and dealer; equipment was any merchandise other than automobile pretty much, and over 90 percent of that was appliances; modernization was improvement of homes under the FHA Title I plan. In other words, 10 percent of that was guaranteed, and obviously, as you moved along, the 10 became 20, and on a big portfolio. It was ultimately a government guarantee. And the [fourth] was personal loans, because that we'd been into for quite a long time.

LaBerge: So were you one of the ones who went out and talked to the distributors?

Peterson: Yes. Well, actually, yes. We met with the distributors. The distributors were usually in Los Angeles or San Francisco, so usually it was initiated by Mattison. Then we would discuss the progress we were having with dealers with him as district managers.

Another little note I thought was kind of interesting--speaking of district managers. Obviously we had a great deal of jurisdiction. If we'd grown up in the bank, in those days we might have been vice presidents, or at least assistant vice presidents. Officially, in those early days we were never anything more than "assistant cashiers." That's the title the guy had who supervised the tellers, and that sort of thing.

That title didn't mean anything to the outside world, particularly dealers and merchants and such that we had to deal with. So we were given the title of district managers, which for two or three years was non-official.

But the point is that as far as the employees and the personnel of Bank of America, we weren't vice presidents. We didn't need it. But it wasn't a case of outsiders coming in and suddenly getting big titles and big shots and such. Maybe that's why they had me sit with the bookkeepers to start with.

Organizing Inventories for the Dealers

Peterson: There may be one thing here: we spoke of this being together and conceiving of services that we might render. One example occurs to me at the moment. I had visited with the sales manager of the key Chevrolet dealer in Fresno. He was telling me what a time he'd have--despite one of the biggest inventories of Chevrolets in the state--when somebody came in and wanted a pink Chevrolet with green wheels, or something of that sort.

He spent hours calling the dealers up and down the Valley to see if somebody had this green Chevrolet with pink wheels, and maybe eventually he would find it.

Well, I took this and we got into a discussion. The net of it was that I proposed to our branches and the Chevrolet dealers, all the way from Modesto to Bakersfield the following. If every Friday night they would send in a list of their new car inventory to us--we of course were open Saturdays--so that on Saturday morning, we would put this in a composite form. It would go in the mail Saturday afternoon, and Monday morning they

could see what the inventory was throughout the entire twenty or thirty Chevrolet dealers. They didn't have to do a lot of telephoning.

This cost us a minimum of labor. Several of them were ecstatic: "My God, we spent hours and days and couldn't find this, and what--." Incidentally, if we didn't receive the inventory from a dealer, we didn't send him the inventory list.

LaBerge: Oh, great!

Peterson: We didn't want to be nasty about it. If we were going to do this, we had to every week, and so they never missed. And of course, here they could in effect cut their inventory. Incidentally, the one thing that worried me was that the bigger dealers would feel that the little fellows were taking advantage of them and not having to carry the inventory because they could make a trade. But that didn't happen.

Particularly many of the moderate-sized dealers quite often didn't have the combination of color that the customer wanted, and that meant they'd have to wait three or four weeks for their new inventory. But the bigger dealers, Rodman in Fresno and the others, they were still just ecstatic.

Working with a Consensus and Learning from Varied Environments

Peterson: But I think you can see this type of cooperation wasn't confined to the San Joaquin Valley. Within the branch, everybody was working together. Between branches, they were in touch sufficiently that they would get together on a problem. It became obvious to the customers also that this was a congenial group working together to do a job in each community.

LaBerge: From everything you've said, it sounds like that's one of your ways of working with people, no matter where you've been, is getting groups to come together and get a consensus and get people working together.

Peterson: Well, it's simpler that way.

LaBerge: Yes, but not everybody knows that! But I'm sure that went on--as you progressed, and then went to work for the U.N., that's a way that things work well.

Peterson: Of course it does. And it wasn't anything novel that I invented, I assure you. It was obvious to me.

LaBerge: But you knew how to do it.

Peterson: Well--but you see, this is where being moved around and exposed, you naturally learn from the best of what you see and live with. I was in enough different circumstances and enough different areas so I got to see quite a cross-section. Somebody who'd gone to work down in Bakersfield and had never left there might not see that cross-section.

And that's what, as I have said before, concerns me. I've been so impressed with what I've learned from the environment that I'm afraid it might be pretty cumbersome for somebody who has to read it.

LaBerge: Oh, I don't think so at all. I really don't. [discussions deleted] But how you can learn things from all these different--and that's a part of the oral history I think that people look for.

Peterson: Well, I must say that I've got to remember--well, I'll tell you now this little anecdote, and we can put it on the record later if you want.

Returning to Headquarters: Anecdotes of A. P. Giannini

Peterson: Early in 1941, Mr. Giannini called me in and explained that Mr. Mattison was going to go on to another assignment, which incidentally was to try to build a cooperative setup among banks throughout the country in this business. We weren't necessarily to run it. He and his group that he would establish would be advisory. So he wanted me to take over Mattison's job and take over the state.

We of course had loved Fresno. We'd had a delightful time there, had wonderful friends. It was not unlike Mexico in some ways, a particularly interesting group of doctors and such who were veterans and settlers there took us in. Of course, we were just in our middle thirties.

So we had acquired fifteen acres halfway between the bank and the country club, and had inherited a home that would make a very comfortable caretaker's home, and then on the fifteen acres we were going to build our own.

Mr. Giannini told me this on a Thursday, and they were coming in, the plans were all drawn, they were coming in to start work on Monday. So we had to do some quick changing. But in any event, we came on up to San Francisco on schedule and got underway.

We had been here about, I guess, two or three months, and in those days, we of course worked on Saturdays. So Pat had come over to have lunch with me on Saturday--we lived in Berkeley, in the Claremont [area] to be exact--and she was waiting for me in the lobby. A. P. walked in, and this was in our new headquarters building. He spotted fingerprints all over the glass partition as he walked in, so as he walked out into the platform where all the senior officers were sitting, in his usual way he said, "My God, can't you get a decent janitor around here and keep the place clean? It's all messed up," and so forth.

Pat was sitting there laughing, and a minute or two later, in came Frank Risso, who was head of personnel and an old friend of ours. He saw Pat laughing, and said, "What are you laughing about?" She told him this.

He said, "Don't you know A. P.?" She said, "Oh, no, I--." "Well, come on over!" "No, no--" "Come on!"

They went over to A. P.'s desk, which incidentally was in one corner of the open area. He had an office, but he wouldn't sit in it.

So graciously, he sat her down, asked her about Fresno and how she'd enjoyed it, where she'd been. After about ten minutes, he turned serious. He spent the next twenty minutes explaining that her husband had been brought up here and put in charge of the entire state on this important activity, but probably more important, he had been put on the senior management committee of the bank, and he was only thirty-five years old. And would she do her best to try to keep his head size down. [laughter]

How else would you get to know somebody and like somebody! It was so typical of him. Oh, I caught hell from him on occasion. [laughing] He knew more about me than I had ever dreamed.

So, you can see where all this habit throughout the branches really came from.

LaBerge: You never built the house in Fresno, either?

Peterson: No, we reluctantly sold that perfect setting.

More on Timeplan

[Interview 5: March 26, 1993] ##

LaBerge: When we ended last time, we had just gotten you back to headquarters from being out in the Valley with Timeplan.

Peterson: That's right. Well, this had been a pretty exciting five years. There was spontaneity throughout the organization, the kind of spontaneity that allowed people to utilize their associates to get the job done, without concern of rank or title or whatever. I think maybe a frequent example was how often you would see that the branch manager would be the last to leave the branch, and maybe he was helping some bookkeeper or someone else finish up or get into balance.

As far as Timeplan was concerned, we had come quite a long ways. It might be interesting, for example, the outstanding of total Timeplan loans in the bank at the end of 1940 was \$200 million. To reach that, we had during 1940 made \$237 million in Timeplan loans.

LaBerge: What year had you started this?

Peterson: Well, it really got underway early in 1936.

LaBerge: And that's when you came in?

Peterson: I came in mid-'36, yes. And, for example, at the end of 1936, the total automobile volume in the bank was \$19,200,000. And at the end of '40, it was \$94 million. At the end of '41, it was \$217.5 million. And when you consider that the average automobile balance, that is, the contract balance on the automobile in those days was less than \$500, and today it's between \$12,000 and \$13,000. It also gives a concept of what's happened to inflation in the last fifty years. In fairness, one should also point out that in those days, usually our down payment was around 30 percent. The maturity was a maximum of twenty-four months, which--that means, of course, there is considerably less increase in the charges that are in that balance. Today the maximum maturity is forty-eight months, and the down payment is considerably less, 20, 25 percent is more normal.

LaBerge: I read somewhere that you're considered the father of Timeplan, is that right?

Peterson: That's rather interesting, because that has been in the newspapers. Actually, Mattison, you might say, was the father of Timeplan. I picked it up after it had matured and got into real volume. The newspapers give me credit, as you said, for being the father of Timeplan. Actually, Matty was. However, they give Mattison credit for being the father of the small business loan program which I initiated. But Mattison picked it up from me when I moved on, and you'll hear about that later.

Matty Mattison

LaBerge: Okay. Do you have any comments on Mr. Mattison, and what his organizational style was, or how he worked?

Peterson: Yes. I think the structure of the organization not only reflected Matty's recognition of his particular abilities, but Mario Giannini's recognition of his shortcomings. He was without question outstanding in his concepts of how new services could be conceived, could be developed, and what would be more useful. He had a marvelous imagination. He was just an outstanding marketing man who recognized what was needed and how those needs might be met in the banking world, and particularly in this area. He came up constantly with new ideas.

However, it was interesting to see, he was not--I should say--he was not a particularly good manager. I think that--there were two reasons why the seven or eight of us that were brought into the bank were necessary in Mario's concept. First, this was a new kind of activity in banking, so he obviously wanted the people that he felt knew a good deal about it. But also, all of us had been on the operating and managing side, which meant that the several district managers throughout the state, as they called them, were primarily operating and credit people instead of marketing people. None of us had been particularly in the promotional side of the show.

The branch primarily needed help with credit and operating problems. The distributors and dealers were also interested in how well these bankers really knew the technical side of the business.

Well, the organization was set and moving along, and as I've indicated, doing very well, so that my assignment in

supervising and directing it was not very arduous. However, naturally, we had our regular monthly meetings out of which came new concepts of and new approaches to the services that we were rendering.

Visits to the Manufacturers

- Peterson: From a personal standpoint, I devoted some considerable [amount] of my time visiting with the basic sources of this business, the manufacturers. In other words, getting acquainted with the senior people in the automobile industry. After all, we were serving hundreds of their dealers and thousands of their customers. This was, of course, also true with the senior people of General Electric and Westinghouse and Borg-Warner, and other manufacturers particularly of appliances and equipment of various types.
- LaBerge: You mean the senior executives as opposed to the dealers? You got to know--?
- Peterson: No, the dealers we knew. But what I meant was it was the manufacturers. In other words, it was essential now for us to get a concept of what their marketing plans were for the coming year or years. And being in a position to adjust ourselves accordingly.
- LaBerge: So when you moved to San Francisco, was your territory just different, or was your job also different?
- Peterson: Now, I was responsible for what went on, instead of eighty branches, in 475 branches--oh, no, by that time, 495 branches--throughout the entire state of California. We had six or seven districts.
- LaBerge: So you were--
- Peterson: I was only one district prior to that.
- LaBerge: So would you say you did--
- Peterson: And you see, that was why Matty's job was to be in touch, not only direct our activities, but to be in touch with the manufacturers and the major organizations and their plans for the future. And now it was up to me to catch up.

LaBerge: You gave me a copy of a speech¹ you gave in 1946 on installment lending, to other bankers. It sounded like you were trying to convince them why it was a good idea and why it worked, and that's some four or five years later.

Peterson: That was five years later, at the end of the war. By that time, from our viewpoint, they had matured--and I wasn't trying to convince them. We were called back to practically every gathering including--the speech you saw was a regional gathering. I was on the program for two or three years at the annual meeting of all bankers for that reason. They were all excited and all anxious to get into it.

Moving to Headquarters. 1941

Peterson: Well, this brings me to having come here to San Francisco, and here in headquarters.

LaBerge: At that point, was A. P. Giannini still president?

Peterson: No. About that time, he had retired for about the third time. He was still very much in evidence, but the senior executive was Mario, his son. Al [Alfred] Gock was the chairman of the board, and in effect, the number two man. Al Gock was in charge of southern California, and was in Los Angeles.

Pearl Harbor. 1941

Peterson: Well, the calmness of those first four or five months was short-lived. The weekend of December 6 and 7, we had completed our new headquarters across the street from here. We had moved from 1 Powell Street at the end of the cable car down at Market Street. That had been the headquarters for many years.

Incidentally, we emptied the safes of all the funds and the money and all on early Sunday morning, and put them on a couple of trucks. Fortunately, there were not too many people on Market Street, because I gathered we had about half the police department of San Francisco escorting these two trucks, moving

¹See appendix.

all these millions or whatever, into our new safes and our new building.

And apropos of this move, the following Monday evening, we were to have a big reception in our new headquarters. Many people had been invited in. But Sunday morning kind of spoiled that. Pearl Harbor moved in, and that cancelled everything out.

LaBerge: Where were you yourself when you heard the news of Pearl Harbor?

Peterson: We were at home, listening to the radio as it came in. It was late in the morning, and Pat's uncle and his wife had just dropped in for a visit. Their son was stationed at Pearl Harbor. He had just been--he had graduated from the University of California and had been offered a commission in the permanent military. He had been the commander of ROTC on the campus. So it was kind of a tense gathering, because I had recommended that he accept the commission and move out there. But they of course took it in stride. Obviously, the situation became rather tense.

A. P.'s Barber

Peterson: This reminds me of another anecdote on A. P. In moving into the new quarters, apparently our people had decided we needed a barber shop, and who should decide that he wanted to open his own business but A. P.'s barber. So a few days later, A. P. came by to see me, and brought his barber along, and introduced him, and explained to me that his barber was going to need new chairs and a lot of equipment. He said the finance charges the suppliers wanted him to pay on this equipment were simply ridiculous. Couldn't we finance the purchase of this equipment?

I said, "Yes, we'll take a look." He said, "I'll leave it with you." So I went down to our manager downstairs in our San Francisco main branch, who would be the ones to handle this transaction, and explained to Marsden Blois, our manager, the story. He said, "Fine, I'll follow through."

So he turned it over to his people, and called me back in the course of the late afternoon, and said, "We've just checked up on A. P.'s barber. He's no damn good; he doesn't pay his bills." I said, "Well, have you discussed this with him?" He said, "Yes, we've told him we're not in a position where we can take care of him."

About a week or ten days later, I was walking across the senior officers' platform, and as I came on, A. P. said, "What's this runaround we're giving our borrowers? My barber just told me that he hadn't heard any word from you at all, and it's about ten days ago. I talked to you about his need to finance his equipment." And then he went on in his very full voice, and obviously there was a great deal of interest on the entire platform, listening in on this.

So when he had run out of breath and words, I said, "Well, Mr. A. P., in the first place, your barber was told what the problem was the day after you spoke to me. And his problem is of course that he's no damn good, he doesn't pay his bills."

"Oh, all right, all right!" [laughing] In other words, it was rather typical of A. P. I mean, as long as you've done the right thing, that's perfectly all right, no matter how wrong it looked originally from his point of view.

Liquidating Assets of the Japanese Americans

LaBerge: I imagine the wartime brought a lot of changes in both staff and activities here.

Peterson: Well, it did. Of course, you're so right, because many of our young people went into the service. The result was that we had to spread the responsibilities among those who were left, and I was one of those who was left. Fortunately, to offset that, naturally the Timeplan activity dropped off. But as a result, I found myself busier than ever.

One of the first assignments I received as a result of our government announcement that all Japanese should be moved out within X miles of the coast--which covered most of California--within seventy-two hours. They assigned the responsibility for expediting that movement to the Federal Reserve Bank here in San Francisco. It was up to them, in collaboration with the institutions involved, to assist the Japanese in disposing of their property, and whatever was necessary for this move.

Fortunately, the Federal Reserve was also given authority to revoke any sales that were made that were unfair or unorthodox. Inasmuch as the vast majority of these Japanese on their obligations and financing of their enterprises or whatever, were with the Bank of America, we had the big problem.

So the Federal Reserve asked to have someone from the bank collaborate with them in handling this.

As a result, there was a session of the senior officers, including myself, of course, because of the tremendous assortment of Timeplan obligations. Also our general counsel, because of these thousands of obligations we had here in the bank.

Well, the consensus among the senior lending officers seemed to be that we should turn on the heat and insist they dispose of promptly whatever they needed to pay off the debt. In other words, put the pressure on them, and get it paid in a hurry. After they had kind of come to somewhat of a consensus on this score--

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LaBerge: Who was your general counsel?

Peterson: Louis Ferrari. He was one of A. P.'s early friends.

LaBerge: So he was listening to the advice.

Peterson: He had been patiently listening through all of this discussion. He finally turned to them and said, "Well, I think your conclusion is one of the best ways I can think of to ostracize the Bank of America forever." Then he turned to me and said, "Rudy, what do you think?"

I said, "I couldn't agree more," that I felt that this was a very sensitive subject to a very substantial cross-section of our citizens. It was very important that we insist that they cooperate fully, but beyond that, we should join with the Federal Reserve in seeing to it that their assets were sold at a fair price. Also see that they weren't taken advantage of, and they were given whatever time was necessary. That, I was sure, would be the consensus of the Federal Reserve as well, and was.

Well, about that time, it came time for Mario to enter the fray. He agreed entirely that we cooperate fully with all concerned and we insist that they get a fair price for whatever they owned. Also that we allow whatever time was necessary to reach that point.

In the meantime, it was of course obvious that they could not get out in seventy-two hours, and it was a matter of three or four weeks. They finally all were moved out.

Aside from their personal obligations, there were quite a few of them who by that time had of course established their own enterprises. Many of them owned nurseries. Quite a few owned small fishing fleets, which might be one boat to three or four boats, particularly in southern California. While they were not allowed to own land, many were farming on a rental basis, and had to dispose of the equipment and needed to arrange for someone to carry on their farming activities.

So for some weeks, some of the senior officials of the Federal Reserve, including myself, didn't have too much sleep. I moved right in with them, and we worked this out. The Federal Reserve, I must say, handled this in a very professional way. They revoked a number of sales where the pressure had been put on by prospective buyers. Naturally, the Japanese were scared anyway, and it wasn't too difficult to scare some of them into selling their property or their nursery or whatever. This happened particularly in the fishing enterprises for a fraction of what it was worth. Those sales were revoked, and deferred until they were purchased at a fair price.

The Federal Reserve frequently was criticized, but they earned everything that they had cost us for many years in those next few months. They did a masterly job of handling this. And I must admit in retrospect, it was very interesting. I don't have an exact figure, but some twelve or eighteen months after, I recall we checked up, and of the millions that were owing, our total losses were less than \$100,000. It was just remarkable. Which was not only a tribute to the Federal Reserve, but a tribute to the Japanese as well.

LaBerge: I was wondering if you had a lot of cars on the Timeplan loans, because I understood that the Japanese couldn't keep their cars.

Peterson: That's right.

LaBerge: Was it hard to sell them?

Peterson: They could take them--they could keep the cars, but if they had no outside income, they couldn't pay for them. Of course, if they owned a nursery or something, they would probably pay for their cars, pay the balance with us. As far as we were concerned, within a couple of years, it was all liquidated.

LaBerge: Didn't the Bank of America establish branches at--well, near the camps, like near Tule Lake and near--

Peterson: Tule Lake was the closest camp. Yes, they were set. An awful lot of them got into the Midwest ultimately, but there were

camps inland in Nevada and various places. Ours in northern California was Tule Lake, and I believe there was one in southern California.

LaBerge: Yes, Manzanar.

Peterson: Yes.

Other Wartime Activities at the Bank

LaBerge: What were your other responsibilities during the war?

Peterson: Then I had a series that were assigned to me, pretty much as they evolved, if they came to Mario's attention, or there wasn't somebody to handle them. As an example, we had customers who had to abandon their current business, but wanted to equip themselves to manufacture materials that were needed during the war. For example, Rheem Brothers, who had manufactured oil drums, suddenly became quite a war supplier.

Many of those customers needed new equipment and new facilities to do this. This became part of my job, to assist them with financing their equipment and setting it up to move ahead.

LaBerge: Did you also finance Kaiser in their wartime efforts?

Peterson: Well, by that time, they were long-established customers. They had an overall program, and as they went into shipbuilding and other efforts, yes, of course, we financed them. But they already had a big place in the bank, so I didn't have to worry. We were financing Kaiser to a tremendous extent. The bank was the leading financial institution on war efforts, not only aircraft but the Bechtels and various organizations up and down the entire coast.

Thanks to our efforts of the previous five or six years, on financing the ultimate buyers as well as the dealers and distributors of heavy equipment of all types, we now suddenly had acquired real stature with the manufacturers. Some for the first time turned to us--General Motors, Westinghouse, GE and the rest of them--to take a prominent role in their requirements. Whereas, up until then, naturally the banks of New York and Chicago were their big sources, we suddenly became their major relationship.

This was one of the strains, and why I guess I received more and more of the local assignments, while our sophisticated lending officers got into more and more of these.

It was apropos of that, we had a development on the Timeplan side of the show. This came about because the manufacturers were of course getting out of the automobile manufacturing; they were going to have to go into war manufacturing. So much of Timeplan's activity turned into trucks and commercial equipment. So there was a big surge going on.

Taking a Risk with New Car Inventory

Peterson: In the meantime, there was a good deal of conversation and in the newspapers that the government might have to demand the rubber tires on the existing cars, as well as new cars. So the result was that the finance companies became very apprehensive about financing inventory of new automobiles for the final two or three months. There were thousands of them coming off the assembly lines for the dealers. Even GMAC, General Motors' own subsidiary, was somewhat apprehensive.

Well, thanks to Mr. [William E.] Blauer and Fred Ferroggiaro, our two senior lending officers for the entire organization, we talked it over and they agreed with me that the idea of taking tires off of automobiles was pretty ridiculous. The tires would probably still come from the tire manufacturing facilities we had. It looked like this would be a long war, and they wouldn't be remanufacturing new cars very soon. The result was that these cars would be very much needed.

So we proceeded to finance our dealers, not only the normal inventory of a flooring requirement, but to go well beyond that and warehouse shipments of cars which would be held in warehouse as security.

Everyone agreed that we should be pretty generous, because there wasn't much risk. These cars would be in demand and all sold in due course. So we set up the facilities, and somehow it seemed to me--we were busier than ever in Timeplan itself.

We were told later that at a given stage, about 50 percent of all the cars manufactured were coming to California, which meant that we were financing them. So I remember, I think it

was Mr. Blauer a couple of months later, said, "By the way, how much did that get to?"

Well, I gave him the figure. Of course, he lost his breath for a bit. But I was able to tell him, two days earlier the RFC [Reconstruction Finance Corporation] had announced that they would guarantee any obligations on existing inventories. In other words, the government wanted a measure of jurisdiction if they found they needed some of this inventory. So we wound up with a blanket guarantee of our entire inventory. With the war moving on, the government set up a schedule whereby the price of these cars would step up a given percentage each year. So as a result, it turned out to be a very happy government-guaranteed obligation, which of course made us the heroes in the automobile fraternity throughout the country, as well as the manufacturers. It was a big boost for the bank.

The Key System

Peterson: So following the Japanese siege, I was reasonably busy. With that, increasingly, to answer your question, it was these kind of special situations that evolved from the war. I think the climax was when Dick Richardson and I sat down. He was the manager of our Oakland main branch, our major branch at Twelfth and Broadway. We worked out a program which was the key in refinancing the entire Key System. This of course included all the buses in the East Bay, and the trains that commuted over here over the bridge, their entire picture, which went into a couple hundred million dollars. This also included some needed replacements that were coming through, in other words, some new equipment.

LaBerge: For someone who doesn't live in the area, could you explain what the Key System is?

Peterson: Yes. This was our entire bus and transportation system for the East Bay on the ground, as well as the facilities we had by trains to San Francisco. It might have included a few ferry boats, but they were pretty much passé and in limited use.

Our Timeplan activity continued on, and there was limited financing of new automobiles, but the normal transactions that went on day to day, including personal loans and a limited amount of property repair and improvement under FHA. But most of my time, as time moved on during the war, was increasingly on these kind of special assignments.

LaBerge: Was there influx of women employees at the bank?

Peterson: Yes. I've always said--again, I felt we led the way. I've cited Vallejo, which was of course with Mare Island and the war activities, was a very active branch over there. About a year or two after the war, I was over visiting with them for some reason, and was terribly impressed. The personnel of the Vallejo branch consisted of two men, and I did not count them, but there certainly were thirty or forty ladies doing all the jobs there. Yes, from the start, we always had quite a few women employees.

Along as the war was drawing to a close, and I guess this was in early 1945, Mario Giannini had called and asked if I could drop by one Saturday morning down at their home in Hillsborough. He wanted to review a situation with me. Incidentally, as you know, Mr. Giannini usually did not come in until about noon, because of his hemophilia, and from time to time was out for a few days. But even when he was home, he was busy handling the bank's business.

Small Business Loan Program

Peterson: I forgot the special situation we discussed, but when we were through as usual, we got into discussing some of the general problems of the bank. He, in due course, expressed his concern over whether we were equipped to do everything we could and should do in assisting the reconversion process when the war was over. It was far enough along that if the European end had not been announced, the settlement in Europe, it was very close to it, so--.

In the meantime, this had come into focus, because Maury Maverick, who was in the Congress and I think the chairman of one of the war emergency committees, had been traveling around the country, meeting with community groups. His message was that the Small War Plants Corporation, which was an organization financing what it implies, small business, that needed financing and money to carry on their manufacturing of war equipment and war supplies. He thought this should be turned into a financing institution for this same small business throughout the country, in their reconversion process.

When he arrived out here at the coast, our versatile chief of public relations and advertising, Lou [L.E.] Townsend, decided that we should remind Representative Maverick that this

was not new to us in the Bank of America. So he proceeded over several days to run major ads in the newspapers, carefully dated, that we had run fifteen and twenty years earlier, inviting small business to come into the bank, and we would be glad to assist them.

Well, the result was that figuratively, at least, Maury Maverick pretty much folded his tent when he got to California. Anyway, he did not carry on some of the meetings that he had scheduled. So, we were all very conscious of this. Mario's feeling was that, with the experience we'd had in Timeplan, why couldn't we utilize some of those basic concepts and principles. In other words, leaning heavily on a man's record, and his knowledge of his business, and his reputation of paying bills and such to, within limited amounts, provide him with the capital loan requirements he might need. Which meant, of course, not a ninety-day or six-months loan, but a programmed loan that he paid back over several years.

We discussed it at some length, and I told him that I felt that we could do that. By the same token, if we were to do that on a broad basis, this meant we would have to be prepared to give it more time and attention than we would normal bank loans. So we needed to be paid for it. Thus, we would need, as we did in Timeplan, to have interest rates somewhat higher than the normal bank lending rate, in terms of commercial loans. This he very much agreed with as well.

So he asked me if I would proceed to set up a program along the lines we had discussed.

Fortunately, I had a couple of friends in banking who, particularly Carl Bimson over at the biggest bank in Arizona, who had been experimenting a little before the war with this. So I picked up, borrowed a few ideas from them, and wound up with a program.

Proposal to General Finance Committee

LaBerge: Is this the Small Business Loan Program?

Peterson: The Small Business Loan Program, yes. A couple of weeks later, I met with the General Finance Committee on Monday morning, which I had been part of, but I'd been too busy to be in it now, and I outlined a program under which we would provide capital loans almost like we did Timeplan, on from \$1,000 up.

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LaBerge: Okay, you were meeting with the General Finance Committee.

Peterson: Yes, I'll start in that.

The basis of the plan was that our selectivity would be someone who understood and knew the business he wanted to go into. Incidentally, that might be an expansion of existing business, or it might be going into the business new. For example, this was particularly true in automobile, where many young career men in the automobile business now wanted to start their own. Or, it might consist of, in many cases, buying out existing businesses. After all, we'd had a five-year gap here, and a lot of successful small businessmen were five years older and wanted to retire and to sell out. So there was real potential in buyouts of existing small businesses.

Naturally, as in Timeplan, he had to have a good reputation, not only in the community but his record of paying bills promptly as well. We in turn would either provide or make certain he had a proper accounting system, so that he could give us basic accounting reports periodically of how he was progressing. And, part of the plan for us would be that we have enough staff that we would be prepared to have competent people visit the organization if there was any indication that they might need some help, or need to reset the manner in which it was operating. In other words, have men that could go out to these customers and spend time with them if necessary.

To do this on a broad basis, we would have a one-page loan agreement instead of anywhere from ten to thirty pages of legal stationery. This would provide for probably minimum monthly payments, but also a percentage of the profits. The monthly payment would be the minimum, in case he was having difficulty getting underway, but once he was underway, then a reasonable share of the profits would come to us, and to which in turn might well accelerate a five- or seven-year loan to maybe three or four.

Inasmuch as this would involve, as I've already indicated, considerable more time and attention, our rates would range, on the smaller loans, down to a minimum of 8 percent as we approached \$10,000. In those days, normal commercial loans were, let's say, 5 or 6 percent for major corporations.

Well, the General Finance Committee agreed entirely with the whole program, except how could we possibly charge these people this outrageous rate of 8 or 9 or 10 percent, when Maury

Maverick was talking about a government lending in terms of 4 or 5 percent. Well, this was their problem. Otherwise, they were ready to approve it.

So the result was I said, "Let me think about this and look it over, because we've got to be paid a reasonable rate for what we do, and this is going to call for a good deal of time with customers as they may need help and guidance." So the subcommittee of the General Finance Committee met every Monday, so the following Monday I came back. My compromise was that we would give the branch manager an option. If he felt that this situation warranted much less time and attention, he would have the authority to reduce the rate by 1 percent; conversely, if he found it was going to call for more time and attention, he could raise the rate 1 percent.

Well, they went along with that. So with that, we were ready to go.

Promotion and Organization of the Program

Peterson: In the meantime, I had of course discussed how we would promote this with Lou Townsend. We were working on this together--what we really had in mind was we wanted to keep this simple, and not complicated. I referred to the one-page loan agreement; that was all set.

So Lou came up with the concept that why don't we have a booklet, a very simple pamphlet, that outlines the requirements to qualify for this type of loan. The idea was that there was sufficient information included that our people in the branches would also use this as a guide, such as guides they had in what we called our operations manual. But here was a booklet as their guide, but this booklet also was available to give to the customer, so he could judge for himself whether he qualified or not, in the open.

Well, this made a tremendous hit. Naturally, this also meant that with the booklet concept, you could pass this out to prospects by the hundreds.

Our next move, then, of course was to get the organization ready. So with two- or three-man teams, we set up regional meetings with managers throughout the state. We would have twenty-five or thirty managers in each gathering, and it would be a dinner and then a session after the dinner outlining the

program. With 495 managers, that was quite a few meetings. But over a series of nightly gatherings, we managed to cover the branches.

Well, the result was that we had not realized, but obviously with the war drawing to a close, a lot of these potential prospects had spent a good deal of time planning what they were going to do. Well, the moment the word came out, we were besieged in the branches and all over the place. It worked very well. Again, our staff that we had brought together to supervise this and get it going, needless to say, was very busy. This became an outstanding success.

LaBerge: Was your main job after that to supervise the branch managers handling this?

Peterson: We had an awful lot of mature branch managers. So you spent two or three hours outlining a basic concept, and particularly after they'd had five or six years of their people handling millions of dollars of Timeplan loans, we got a pretty good head start in one evening. But of course, we had not only our district manager with the Timeplan but I'd supplemented that so that experienced men were available if a branch manager called and wanted to know if there was somebody available and could come to it and sit down with him.

Well, I think the results speak for themselves. In the first eight months after we'd announced this program, we had made 2,413 business loans, for \$8,800,000. The average loan was \$3,000, so there were quite a few, and to eighty-nine types of businesses. In other words, this was new and we were keeping pretty close tab on what was going on and how we did it, so we could learn from it as well.

The next four months following the above, and this would be after we settled with Japan, we doubled that volume. By the end of '46, everything was calm and normal again. Just to give you some concept of how the momentum gathered, two years later, the end of 1947, we had made 17,289 loans for in excess of \$62 million, and by this time, the average loan was \$3,600.

Now, what I started to tell you earlier, Mario Giannini had other things for me to do. In the meantime, Matty had come back from the war fairly early. I think he'd been back about a year and a half or two years when I left. When he came back, Mario made him assistant to the president, which meant that he handled special assignments for the president, who was the chief executive officer.

All of us felt, "Well, that's wonderful." In other words, Matty might not wind up being the president, but he's certainly working with Mario and will ultimately be right up there where we felt he belonged, maybe in charge of the whole marketing and public relations activity.

Interestingly, he obviously was not happy. I sensed it. I had at least a year overlap with him before I left. Whether it was he wanted to be running something, I think that was it as much as anything. Also, I can understand that with Mario, being away part of the time, probably he didn't have enough assignments to keep him fully busy.

So the result was that he, when I left, Matty took over everything I'd handled. Obviously, that spells some of the success of this loan to small business program. We had it underway and it was going strong as I've indicated, and it moved on. This was not just a postwar program; it continued on for years afterwards. It was very successful.

So that's why this was called Matty's program. And you see, I was in charge of Timeplan when it really matured and blossomed, so they gave me credit for that.

LaBerge: Out of curiosity, were many of these loans to Japanese who were coming back, and trying to establish a new business?

Peterson: Well, actually, the Japanese, as you will recall, came back very gradually. Some were in distant places, and obviously, reorienting themselves and getting set to where they would return to business took time. Also, they didn't have very much money. I'm sure that any of them that went into business were taken care of, but this had become such a tremendous activity over a broad section of potentials, so the Japanese weren't necessarily identifiable, as a group.

Standards Department and Ranaulf Beames

LaBerge: One thing that I read that happened sometime in that time, I think '44-'45, was the standards department, or establishing standards throughout all the branches under--I'm trying to find this man's name--Mr. Ranaulf Beames?

Peterson: Randy Beames? Established--?

LaBerge: Some kind of a standards department, setting standards for every--

Peterson: That's right.

LaBerge: Were you involved in that?

Peterson: Well, I was not involved in setting it up. Randy was ahead of me, and I will--and in the next five-year term--

LaBerge: Of yours?

Peterson: [laughing] I will tell you what a tremendous help Randy was to me. But Randy Beames probably came from way back. In the early days he was in the controller's or the auditor's end, so he was completely familiar with our systems. He knew the bookkeeping systems and routing systems for checks, and all that detail, and provided a particularly innovative concept.

As a matter of fact, I'm not sure but that Randy was an import from the Canadian system. You see, about in the twenties, when we got going into a sizeable system, quite a number--this was A. P.'s day--who were working with him recognized that the only system comparable to what we were going into was the Canadian system with their national branches.

So we recruited a number of their veterans. Our cashier, I think our first two cashiers and our first auditor, were Canadians, experienced Canadians we imported. I think Randy was one of those.

But Mario assigned Randy to see how we could handle our routine in the branches more efficiently. And he gave him a staff to work with him, a small staff but very competent and sophisticated. Actually they and Randy would go into a branch, and say, "Here, we're going to try this system." This system might utilize, say, two-thirds of the people who had been handling the old system. Then the other third would be assigned to some special work. They wouldn't be fired. Then if the new system worked, with the bank growing, there was always, in due course, room for this excess.

As you can imagine, without even very automatic bookkeeping machines, the thousands we had and the tremendous routine of clearing checks and all these transactions, there was bound to be room for more efficient systems.

LaBerge: Well, you said something about the operations manual when you were making your own little manual for small business loans.

Peterson: Yes.

LaBerge: Is that something that he would have done?

Peterson: No. Actually, our Canadian cashier; that was under his jurisdiction.

LaBerge: What was his name?

Peterson: P. C. Reed.

IX THE TRANSAMERICA YEARS, 1946-1955

Allied Building Credits

Peterson: Well, in about November or December of 1946, again on a Saturday morning when I came in I had a message that Sam Husbands, the president of Transamerica, wanted to see me. I met with Sam and he explained that a year or so earlier, they had bought a subsidiary of the Weyerhaeuser people, a company known as Allied Building Credits. This had been Weyerhaeuser's GMAC. In other words, they had decided that they could broaden their use and market for their products by having a specialized organization throughout the country that would finance housing projects.

Then, of course, they would sell to investors, largely major insurance companies, the mortgages that came out of this project. The ABC would continue to service the mortgages for half of 1 percent per annum, which was the usual procedure as such. The FHA Title 1 property improvement papers they would carry in portfolio.

The war was coming to an end, and Weyerhaeuser said that they had expansion plans that were going to require a great deal of money, and after all, Transamerica was in the banking business; they weren't. And would we be interested in buying Allied Building Credits?

The result was, the transaction was concluded. Typically, in Transamerica, if the number one man steps out, the number two man is given the opportunity to take over. Fred Weyerhaeuser, who had been president of this, along with his brother Phil were of course running this tremendous organization, and so he stepped out as chairman, and Transamerica asked someone else to take over.

Well, as I've said many times, almost no matter what I might be running, and no matter how big it was, this new president of Allied Building Credits always could be my general sales manager, but I'd never even let him meet the cashier. In other words, he was just not the type to keep track of what's going on internally.

Now, I'm getting ahead of myself. Sam wasn't sure what had happened, but he of course had promoted this business and ballooned it in the year into a two hundred-plus million dollar operation.

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LaBerge: Are you saying that Sam Husbands ballooned the--

Peterson: No, this new president. I'm sorry, I didn't make that very clear.

LaBerge: Whose name we don't know.

Peterson: Yes. But what Mr. Husbands did know was that the banks were getting concerned because of the tremendous borrowing that was going on, the volume. The board of directors of this company, who we had appointed--with only one of the Weyerhaeuser men left on it--they said, "We can't find out just what's going on." So he said, "Obviously, somebody has to take over and take ahold of it. Would you--?"

Other Offers from Mario

LaBerge: This sounds a little bit like going down to Mexico to straighten things out.

Peterson: Oh, even more.

I said, "Let me give it some thought, and I'll have a lot more questions to ask you before I agree." I went back to my desk, and here was a message from Mario, who also had an apartment up on Russian Hill. And could I come by that afternoon, he'd like to see me.

So I did. Mario said, "Well, I wanted to talk to you about some interesting possibilities; that is, I think they are interesting." I said, "Well, Sam has talked to me this morning about ABC; I presume that's what you wanted to talk about."

He said, "No. That's part of it, but only part of it." So with that, he sat down and discussed with me three possibilities: one of them, he said, "You've heard the details about Allied Building Credits from Sam Husbands, so you know what that situation is, and if there are any questions, I'd be glad to answer them," and I said no, I felt Mr. Husbands had covered the situation very fully. And I had agreed to give it some thought.

"Well," he said, "don't stop there. I would want you to see whether you would rather take something like the presidency of the National Bank of Washington." That was our subsidiary up in the state of Washington, with headquarters in Tacoma. And not the biggest bank in Washington, but a very successful one with branches throughout the western half of Washington.

As a matter of fact, he discussed what they had done, what he thought the potential was, and of course, made it sound very interesting. And it was.

"Now," he said, "if you would rather not go to Washington, then I have a third alternative which I would love to have you take," and that was a very senior assignment in charge of a substantially--most of the activities in southern California.

I said, "Well, I'm intrigued with what you say about Washington," so we did go into that in some detail. My response was, "I'm sure we'd have no quarrel with going to Washington."

So I said, "Which one do you want me to take?" He said, "Rudy, I want you to take the one you would prefer. I have no preference." So we talked on some more. I asked more questions about Allied Building Credits. I finally came to the key.

I said, "Who made the decision to purchase Allied Building Credits for Transamerica?" Of course, he was chairman of it, but I didn't know whether Sam--he said, "No, I guess I made that decision." Well, I knew damn well then what he wanted me to do.

That evening at dinner, naturally we had a very interesting discussion at the dinner table. Pat asked a number of questions. Finally, so typical, she turned to me and said, "Just why are you going to waste Mr. Giannini's time? You know right now that if we went to Washington, we'd have a home on the Puget Sound; you would be home with us three or four evenings a week; we'd develop a circle of local friends and have a delightful time."

"On the other hand, if you take Allied Building Credits, you'll go on a seven-day-a-week agenda; you'll wave to us as you come by from time to time; and for the first six months, we'll see relatively little of you. But you'll have the time of your life. Now, why don't you go tell Mr. Giannini that's what you're going to do Monday morning?" [laughter]

Well, that of course had been her decision on all my five-year cycles. Thanks to--she not only encouraged me to take a chance, but was always very patient when I wound up with an agenda the first year or so where I wasn't very available for social events. And then in due course, as in Mexico, developed our circle of friends, and there was more time, and had a delightful time. That's what happened here.

So the result was that--[pause]

LaBerge: That you took Allied?

Peterson: What happened was, on the personal side, the children of course were in school. So we agreed we'd stay put until their term was out, because I was leaving early in the spring. Then we would move down to Los Angeles. While the real headquarters had always been St. Paul, our new president apparently decided to parallel General Motors and have the working headquarters continue in St. Paul, but the executive headquarters were to be Los Angeles. So they had two, just as General Motors divides themselves between Detroit and New York.

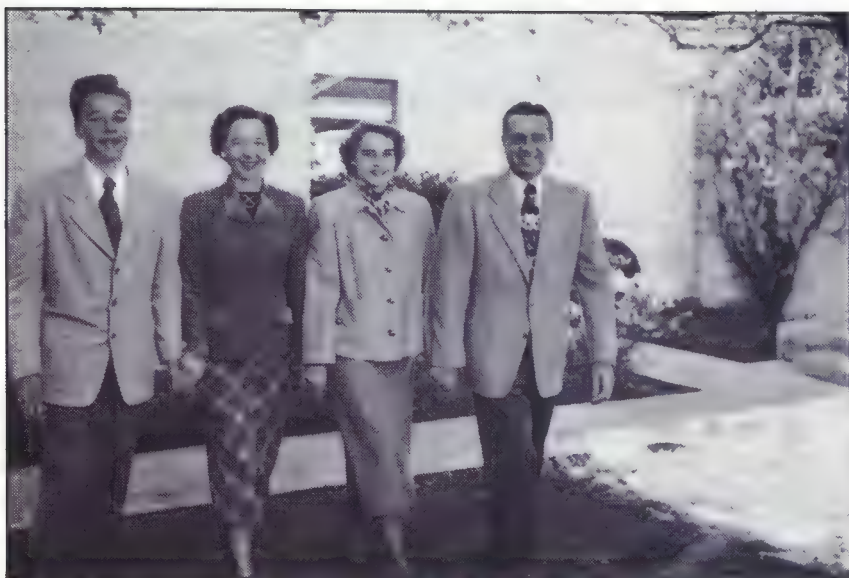
LaBerge: I didn't realize that was going to entail a move for you, too.

Peterson: Oh, yes.

LaBerge: You did quite a bit of buying and selling houses.

Peterson: Well, that's true. We had had a lovely home up on a hill, two acres, near Mills College, where we looked over to San Francisco and the entire Bay, had a 180-degree sweep. It was gorgeous. Fortunately, that had been during the war, and while the children were growing up. Below us was the creek that follows along the Warren freeway, Highway 13. There's a creek running all the way to Berkeley. There was nothing between us and the creek, so our youngsters, along with their friends, could go right down to the creek and go halfway to Berkeley following the creek.

[tape interruption]



Above: Price, Pat, Linnea, and Rudy Peterson, 1950.

Below: Linnea, Rudy, and Pat Peterson, 1951.



Dealing with Problems at Allied Building Credits

Peterson: Well, I went down to Los Angeles and sat down with the board and with our senior staff in Allied Building Credits, and found that the situation had gotten well ahead of us. We had between \$30 and \$40 million in our portfolio of mortgages. My recollection is there wasn't a single take-out, and as a matter of fact, some of those mortgages weren't yet qualified for the purchase, but would in two or three years.

In other words, I presume that my predecessor felt he could buy some of these more cheaply, and at better rates, season them for a couple of years and then they would be available to be sold. However, that tied up a good deal of money.

There was about \$50 or \$60 million in projects underway, and my recollection is there was less than \$3 million of that with take-outs. This was started, and in addition to that, we had still to disburse \$96 million, on which there were no take-outs. So all together, what we needed was between \$200 and \$250 million in take-outs to put this on a current and proper basis.

Now, I will admit that in that \$96 million, there were a couple of rather large ones that I'll talk about later. But I could see very quickly why the banks were concerned. But this was part of his promotional deal, and as you would realize--remember, this is 1946, and there was a surge of new projects set up in housing. More than 80 percent of these were under the G.I. Bill, and these 4 percent mortgages were not at a premium. In other words, we had a tremendous potential market, as our men were coming back from the service. My predecessor had taken advantage of this temporary boom and made these commitments.

So my first assignment was to visit all the banks. I told them that I realized why they were concerned, and I would be back in thirty to sixty days, as soon as I had time to learn the facts. And in the meantime, if they felt their concern had passed beyond that much delay, Transamerica was ready to pay them off.

Nobody insisted on being paid off the next morning. However, most of the Eastern banks, as their ninety-day or six-months note matured, said, "We'd like to be paid off." Most of the other banks in the Midwest and elsewhere went along, and said they'd wait until I came back with the story.

LaBerge: Was there kind of a rivalry between the Eastern banks and the West?

Peterson: No, I just think that it was rather typical of New York. They frankly admitted that they had not followed up themselves, and knew what was going on. You see, Weyerhaeuser had, until they got into this, had a history of never borrowing. They were allergic to debt, and that was generally known. So with a few hundred million in the bank, a bank didn't need to worry too much if they lent to one of their subsidiaries. I am sure they assumed that if necessary, Weyerhaeuser would pay it off.

The next job to do was to sit down in regional meetings with the managers, the forty-six managers of forty-six branches throughout the United States. They were about as worried as the banks were. My predecessor unfortunately had not been any more diligent in informing them with what he was doing. These commitments would come in, and they'd try to get to the bottom of what it was all about.

I met with them, and discussed with them very candidly what I didn't know, and that we would between us have to get busy and find out. But I also appreciated how they felt. I made it very clear what we were going to expect of them. Once we got underway, it would be their responsibility, and it would be up to them to step in and do whatever was necessary.

Fortunately, I had also discussed this ahead of time with Sam Husbands, chairman of Transamerica, and he very definitely agreed that I should make it very clear to them what they could expect from us. Their salaries, with few exceptions, were well below what they were entitled to if they fulfilled their responsibility. I'm not sure they'd ever been given that responsibility. I think it had been more a centralized show.

So we made it very clear what their responsibility would be, and I also tried to be reasonably specific as to what we felt that responsibility was worth. Once they had mastered it, they could expect compensation accordingly. And with that, I asked them that if they were willing to, under those circumstances, to stay on. I would like to assume that I had an implied commitment from all of those who stayed that they would stay on for six to eight months while we got this situation under control. I would prefer if they had any real serious reservation, that they leave now. So, once we had gotten underway, we knew we were a team. No one resigned.

Transferring IBM Equipment to the West Coast

Peterson: The next move was to bring the headquarters together. That turned out to be a problem, because the war was recently over, and these thousands of mortgages that we had were being serviced on IBM [International Business Machines] equipment. IBM did not have any equipment they could supply us out here on the Coast. So our only choice was to bring this equipment from St. Paul to Los Angeles. As you could appreciate, every single day of the week, you have thousands of entries going through this equipment. To haul this equipment up and set it up in Los Angeles would take time. Between the trucking time and the getting it set up and underway would be an interval of probably ten days to two weeks. How you would ever catch up with the entries and all the routine and proper accounting for what had happened in that period was almost beyond imagination.

So I asked the fellows to get in touch with American Airlines, and American Airlines said yes, they could supply us with two or three airplanes, provided we did it on a Saturday or a Sunday. They had idle airplanes available then. So we arranged it. They found that the equipment could be loaded in one plane, and the operators and their families could be loaded in two more, because after all, if I got the equipment out here, I had to have it ready to operate.

So we made also corresponding plans at the Los Angeles end to have the equipment properly installed. The result was a very tense Saturday. By eleven o'clock on Saturday morning in St. Paul, the equipment was loaded into one plane, and the families of the operators were loaded into two others, and they took off. So we held our breath for the next four hours, and in due course, they landed in Los Angeles.

The equipment was hauled in to the prepared arrangement, and installed. On Tuesday morning, we were again operating full speed.

LaBerge: It would have been much easier today, wouldn't it have, with all the--fax--

Peterson: Of course, it was the war thing, the fact we couldn't get the equipment. Otherwise, IBM would have been delighted to furnish us the equipment at this end.

Help from Randy Beames

Peterson: Well, in the meantime, and there were intervals here--well, thanks to Randy Beames, I had called Randy Beames early when I first came in. I said, "Randy, would you mind taking a few days to go to St. Paul?" I had talked to Mario and he said, "If he has time to go, it's okay."

He left promptly and called me back in about four days and said, "You have a real problem. It's a very interesting one. I will meet with you when I come down to L.A., and review it with you. But in the meantime, to get you started, you need Nick"--Nichols, who was his right arm.

I said, "Well, Nick is your right arm. You can't part with him." He said, "You need him more than I do, and I've asked him, and he'd be excited to come." Nick was almost as good as Randy.

I said, "Well, we better check this with Mario." He said, "I've already talked to Mario." [laughs] I said, "Randy, I can't tell you how I feel, but this is so typical of you always. But this is beyond anything you've ever done."

He said, "Rudy, you're one of the few guys around this bank that if I find something needs doing, you'll do it. The rest of them sit and talk about it." [laughter] Which was so typical of him.

But in any event, Nick came, and we got underway. He just started with headquarters, organized the staff. Then he took off to certain branches that needed repairs. I had problems in various projects, and Sam Husbands lent me one of his very senior men to help with those.

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Peterson: We filled in some key posts with the people to reset the organization and get it underway.

Harundale Project

Peterson: I thought it might be of some interest to just describe one of our biggest projects halfway between Baltimore and Annapolis, known as Harundale. It's now a community. It was a project for

1,000 houses, give or take. It was a new concept that this very sophisticated builder had come up with that the houses would have steel frames.

We started a big warehouse-type building. In this warehouse were the parts of the steel frame for many houses, so there were big piles of steel all over the place. There was also a tractor with a trailer. They would assemble the frame of the house with all the proper steel parts. Then they hauled it on the trailer to the site where the foundation had been laid. These were really rather attractive two- and three-bedroom houses.

The houses also had aluminum siding, which was new, too. Then they went onto completion in a rather orthodox manner.

[The developer had just gone broke. He had simply overstretched with a similar development just underway outside Moline, Illinois. This was almost next door to the John Deere tractor and implement company and their headquarters. They would be underway again and importing new families so the concept of an attractive housing project here was quite appropriate.

This all brings on another little anecdote. With housing one of the topics of the day, these two unique developments had not gone unnoticed. Fortune magazine had just published an article practically directed to Harundale entitled, "One Million Dollar Bust." About this time I returned to headquarters in Los Angeles from my first visit to these projects and our senior people greeted me with a copy of Fortune and wondered if I had seen it. They were thoroughly indignant and of course suggested we sue Fortune. That evening, I reviewed the article carefully and met with our people the next morning. My response was that I did not think a suit would be in order, inasmuch as my best estimate was a \$2-\$3 million bust.

As I pointed out, we already had well over a million dollars into the deal and all we had to show for it was a warehouse, a tractor and a trailer, and a few piles of steel.

So, once again it was good to have a strong parent. Sam Husbands, the recent head of Transamerica all during the war, had been Jesse Jones' right arm. He had practically run the Reconstruction Finance and all its subsidiaries very successfully. That is of course what brought him to Mr. Giannini's attention and why he wanted him to run Transamerica.

With this background, Sam knew a good deal about who the top construction people were in the country, particularly on housing. Hence he recruited and gave us this Texan who took over at Harundale and Moline. He in turn brought in the right people to get things underway and in the course of two or three years we had a thousand or more homes built.}]¹

At about the end of the third year, when the homes were completed, there was a setup ready there for a shopping center. We brought in a James Rouse, who had been rather good with some modest shopping centers in the East. He built the shopping center. When we were through and had sold everything, we had \$500,000 left over from what had looked like a \$3 or \$4 million bust, so to speak.

Maybe out of appreciation, Mr. Rouse gave us credit for giving him his first hold on a major situation. So next door to Harundale, and I've been through it, is this lovely community of Columbia, which he built. In subsequent years, Mr. Rouse has become rather well known in the New York and Philadelphia and Baltimore areas for building shopping centers. So we gave him his training and got him started. But, we did not insist on a commission. [laughter]

In Moline likewise, our Texas friend recruited the right people and got that underway. That was about 500 homes, and that likewise proved to be quite successful. We were very happy with it.

Now, to give you the other side of the story on Peterson's judgment. In 1948, these developers had gotten us in, and had pretty much our money in several projects in Palm Springs, some of them housing, but some of them also raw land.

I decided that that was now our real problem, and I managed to sell that off with some loss. Of course, if I'd have just sat still for a couple of years, it would have sold for a husky profit. In '49 Palm Springs took off, so my score is not perfect.

¹Bracketed material added by Mr. Peterson during the editing process.

Financial Outcome of the A.B.C. Problem

Peterson: But in any event, while all this was going on, we of course identified our problems. I went back to the banks, outlined our problems to them. A few of the banks decided not to reinstate their line of credit. So when it matured, we paid them off.

[You will recall that I mentioned in the start we had some \$96 million in commitments to disburse on projects without any commitments to purchase the resulting mortgages. At the end of the first twelve months these were down to \$9.6 million. Meantime of course, we had continued to develop and commit on additional housing projects. These \$96 million in earlier commitments were fully covered with "takeouts" of the resulting mortgages of which 80 to 90 percent would be G.I.s (4 percent). Within two weeks following the final of these commitments, "takeouts", the market broke badly. A serious delay could have cost us several million dollars. That is a measure of luck and not all judgment.]¹

With the progress we had made during that first twelve months, we of course kept the banks informed. In contrast with somewhere around \$50 million when we took the company over, we had banks calling on us now, and we had \$125 million in lines of credit available to us.

The irony of all that I've told you was that at the end of three years from purchase and two years since my entry, Mr. Giannini called me one day. He said, "Would you write a check to the Weyerhaeusers for \$300,000?"

I said, "What do you mean?" He said, "Well, when we negotiated, Weyerhaeuser and I were \$300,000 apart in our figures. I told Mr. Weyerhaeuser that if we earned in the next two years"--I think it was two years--"the projections that he had set up, we would pay him his figure. We were \$300,000 apart, so you owe him \$300,000."

Not a thing in writing! Sam Husbands didn't even know about it! But that's men like Weyerhaeuser and Giannini, sitting down and--. I was dumbfounded, but very pleased that we could still have that kind of negotiation available.

¹Bracketed material added by Mr. Peterson during the editing process.

Bob Syer

Peterson: After I'd been there about a year, I had lunch with a former colleague, Bob Syer, who had been recruited out of Harvard by Doc [Attilio H.] Giannini, and had been with the bank for several years. He was a very key man in our Timeplan activity. He went into the service promptly when the war started.

He'd come out of the service, and in the meantime, a couple of his friends had located an interesting business in southern California that had been very successful. A couple of brothers owned it. They had become older and wanted to sell it. So these three fellows, Bob and his two friends, decided they would buy it.

They had bought it right at the end of the war and done very well. But it was also very obvious to me, it wasn't big enough for three top-notch men to be busy. So I convinced Bob that he should be the first one to step aside, and come over and help me. I didn't want to create a situation, so he came as assistant to the president instead of a senior officer.

LaBerge: Meaning you.

Peterson: Yes. It also meant that he would do chores that I assigned, and he wasn't everybody's boss.

At the end of two years, I went to the board and said, "You don't need to elect Syer executive vice president; this whole gang has." He was so competent that it was obvious. They came to him and discussed with him problems they had. So, when I got ready to step out, he was the obvious candidate to take over.

Supervising Western Banks for Transamerica

Peterson: At the end of five years, I received a call from Transamerica. My friend, [G. M.] McClerkin, had been supervising all of Transamerica's banks clear back to the earlier days, and he was ready to retire. So, Sam Husbands wanted me to come into Transamerica and take over supervision of the Transamerica banks in the five Western states.

LaBerge: At this point, Transamerica and the Bank of America didn't have a connection? Is that right?

Peterson: Mario was the chairman, but at this point, you're right. About a year earlier, they'd sold the last of their stock in Bank of America. However, the last of their stock was something between around 10 or 15 percent. The other 85 percent had been sold many years earlier.

LaBerge: So the main connection was that Mario was chairman of Transamerica.

Peterson: He was chairman.

At this time, Transamerica's holdings consisted of, of course, the First National Bank of Oregon, the number one bank in Oregon; the First National Bank of Washington, which I've talked about; the First National Bank of Idaho, which I believe was the number one bank there--Eccles was the other big bank; the First National Bank of Arizona, which was the second largest bank in Arizona; two banks in Nevada, one a state bank and the other the National Bank of Nevada, which between them represented about 80 or 90 percent of the banking business in Nevada. Have I left anybody out? And twenty-eight banks in California. These were the independent banks that they had acquired, and included several pretty substantial banks like the First National Bank of Santa Ana; the second oldest bank in California, the First National Bank of Santa Barbara; the Central Bank of Oakland.

And, as you know, there's a long story way back of the Federal Reserve and the Treasury's refusal to allow Bank of America to buy them. I'll get into that later.

This was, of course, a very interesting assignment. Naturally, I went on the board of the major banks. Quarterly reports came in to Transamerica which were reviewed. Mr. Husbands was the first one that I had worked with who emphasized, "If it ain't broke don't fix it." So the banks who were doing well, we left alone, except to go to board meetings or whatever, and concentrated on the problem areas, of which there were only a limited number.

So it was a very interesting assignment. It was not exactly new, because I had been on the Citizens Bank down in southern California, their board, and a couple of the other bank boards in which Transamerica had interests, of course, while I was at ABC after the first few critical months there. In a couple of instances, Sam had me involved in replacing the management on a couple of the California banks, for instance the First National Bank of Santa Barbara, I stole a Howard Hughes assistant who had been my buddy in the Bank of America.

He became the president and chief executive of First National Bank of Santa Barbara.

LaBerge: What was his name?

Peterson: Bill Serungard.

LaBerge: Oh, whom you've spoken of before.

Peterson: Yes, I have. As a matter of fact, Mattison when he was first hired by Bank of America got ahold of Bill Serungard, who was with Pacific Finance, and they were the first two on Timeplan.

LaBerge: When you started this new job with Transamerica, did you stay living in the south, or did you come back to San Francisco?

Peterson: Oh, no, came back to San Francisco. Yes.

LaBerge: So this was about 1951 that you started this?

Peterson: This was January 2, 1952.

[tape interruption]

Transamerica Board Meeting, and Sam Husbands

Peterson: Life could not remain calm and orderly forever. At the end of eighteen months, we had a bolt from the blue. Mario had died I believe in '51, the year before I came up. A. P. had died in '49. So some of the old-timers, and particularly among the Italians, were feeling their oats.

Suddenly, Sam Husbands one evening told me that he had just received word that they were calling a meeting of the board of directors of Transamerica the following week. He had only learned about it that day, as the CEO. It seems the chairman of the board was an old-timer, James [Jim] Cavagnaro, an old friend of A.P.'s, and a delightful man and an old-time Italian family, but not very effective. So he was put in at the last minute after Mario died as chairman.

It soon became evident that Frank Belgrano, a younger Italian who had spent his life with the Gianninis, and for the last five or six years had been president of the First National Bank of Oregon, that he had his eye on coming back to San Francisco.

When we heard this, we recognized the fact that in the course of six or eight months, Mr. [Carl] Wente, the head of the Bank of America, was due to retire. That meant that his successor would have to be elected.

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LaBerge: We missed the last few words. Mr. Belgrano did want to come back.

Peterson: Mr. Belgrano did want to come back to San Francisco. The proposal at the board meeting the following week by the board was that there should be a setup of co-chairmen as executive officers, Mr. Belgrano and Mr. Husbands.

We all suspected that Frank wanted to be closer, be available, and thereby become a candidate to succeed Mr. Wente as head of the Bank of America.

The meeting went on all morning, and at noon, Sam Husbands came by to my desk and said, "Well, let's go to lunch." At lunch he told me what had taken place. Of course, I very much agreed with him, competent as Mr. Belgrano was, there couldn't be two co-chairmen running Transamerica.

He said, "Well, I've told the board that. And I said there would be no problem, if that's what they want. If they want Belgrano, I will resign." The board, it seems at that point, had tried to convince him to stay on, that it would work. That had been the subject of the entire morning.

So he told me at lunch, "Unless they change their mind when I get back, I'm going to call in the press and announce that I'm resigning." And he did.

Well, Belgrano in due course came down, and of course was elected chairman.

LaBerge: We're talking about Transamerica now?

Peterson: Yes, this is Transamerica. I supervise all the banks.

LaBerge: Including him, right? Including Belgrano's bank?

Peterson: Oh, yes.

LaBerge: I was thinking that Mr. Belgrano was president of the Bank of Oregon when you were in charge of all those banks for Transamerica.

Peterson: Yes, he was.

LaBerge: But then he came back here.

Peterson: That's right, and now he was my boss. Up to now, Sam Husbands was really his boss. I had been the link between the two of them. I visited with him, and worked with his men if we had any questions. The Oregon bank was well run. As a matter of fact, his predecessor was one of the outstanding bankers on the West Coast during the previous twenty-odd years.

Frank Belgrano as Chief Executive

LaBerge: But now when he came back, he was over you.

Peterson: Right, he was the boss. Now, he took Sam Husbands' place and was the executive officer.

Well, number one, it became evident to me that Frank and I had come out of different molds. We were good friends, we had known each other forever, since I came with the bank. He was in San Francisco and head of Pacific National Fire, Transamerica's fire insurance company then, and in our financing Timeplan, we placed the automobile insurance we had to place with them.

And we'd always gotten along well. He was the very successful head of the American Legion after the war, and Frank was a bit like Mattison. He was a conceptual guy, a promoter, and also kind of promoted himself.

In the meantime, it was obvious to me but not a serious problem that he wanted somebody who would keep him sufficiently informed and in touch so he would be running the banks. Mr. Husbands was just the opposite. He wanted the men, as long as they ran them well, to run their own banks, pretty much the Giannini philosophy. Frank was possessive, and he wanted to run them. He wanted me just to be the interim. So, I just felt that probably he would be happier with someone else in that role.

In the meantime, the election--oh, I should go back. Mr. Husbands had given me the assignment of negotiating with the proper people in the Bank of America to let them purchase the California banks. So I had spent a good deal of time with the controller of the Bank of America during the earlier months, and continued to do so, arriving at an equitable figure on each of

these twenty-eight banks. They were pretty big institutions, so we had quite a staff on both ends working on it.

Mr. Husbands had gotten a clearance finally from the Federal Reserve that these could be bought by the Bank of America, and become part of the Bank of America system.

This continued on until the expiration of Mr. Wente's career as chief executive of Bank of America. That day, the board elected Clark Beise the chief executive instead of Frank Belgrano. The next morning, Frank Belgrano called me into his office and said, "Discontinue your discussions with Bank of America; we're not selling them the banks."

Three days later, Mr. Wente and Claire Giannini [Hoffman] came in to call on Mr. Belgrano. At least I thought I could even hear the raised voices through the closed doors. Apparently it was a furious session. One of my colleagues who sat in on the session confirmed that later.

My next assignment from Belgrano was to figure out how we would merge them into one organization under Transamerica. They would become one, big, new institution--these twenty-eight banks. We got along very well with this, because I had most of the figures available. When we got to arriving at a name for the new institution was the only place we really parted.

LaBerge: What were the options?

Peterson: Our advertising people came back with quite an assortment of choices. However, my recollection is that we brought this down to Western National Bank, Bank of the West, and Western Bank Corporation. While the choice of a couple of us was the Bank of the West, the final decision was Western Bank Corporation.

We finally completed the merger, and I think this was in the summer of 1954. We set up the structure. The man who was running the Central Bank of Oakland became the president, and Frank asked me to become chairman of the executive committee.

LaBerge: Who was president of the Central Bank of Oakland?

Peterson: C. P. Coates.

New Job Possibilities, 1955

Peterson: However, at about that time, the board of the First National Bank of Arizona, our chief executive there had died, and they had asked me if I would be willing to come down and take over.

I discussed it with Pat, and of course, she had had a mastectomy a few months before that. The predictions were, the chances were about 50-50, but she was feeling fine. However, I knew hot weather was not her choice environment. I just came to the conclusion that if we moved, I should move somewhere that would be more congenial environmentally. So I told both them and Frank that I had turned it down.

But we were then drawing into the early 1955. Several banks had looked at the situation, who knew it and knew me. They apparently thought, well, I might be open to listen. So at the time I told Frank that I wanted him to know that some other discussions were going on. That is, I was being asked if I had any interest. I just wanted him to know about it.

He of course said that he hoped I would give them all a "no" answer, but he also could understand why I might be interested. It was all very friendly. I said, "Well, I just don't want any surprises."

Incidentally, Clark Beise called me in right after he was elected. He said that he realized that I did not choose Transamerica or Allied Building Credits at all. He said, "We chose them for you, and there's always been a chair and a desk waiting for you here. If you want to come back--but I don't want to go into details until you decide, and then I'll tell you what I have in mind." He was five years early. I think what he had in mind came later.

Also at about that time, Judge Stedman of Hawaii, of Honolulu, who was married into the Cooke family, had talked to me in a preliminary way because their chief executive of the Bank of Hawaii was overdue for retirement. Walter Cameron, who was also on the Bank of Hawaii's board, and ran all the pineapple end of the Alexander & Baldwin family, had talked to me about coming over.

Then there was a long conversation with Mr. Dillingham, who was chairman of the board, over the telephone--I'd never talked over a big ocean for forty-five minutes before--and they were getting rather serious.

The Hawaii thing intrigued me because all three of these gentlemen weren't asking me specifically, "Come over and run the bank." They were saying, "We want you to come over and join us in Hawaii." In other words, to me that was quite different from just, "Here's a job to do." They left me very clearly with the feeling there were a lot of things we could do over there, "Will you come over and give us a hand, work with us."

And of course, all three were simply outstanding characters. Walter Dillingham has frequently been called the father of Hawaii.

So finally, they asked us rather early in the spring of 1955 if Pat and I wouldn't come over and spend a couple, three days. They kind of used the excuse, it was Walter Dillingham's eightieth birthday. There was to be a dinner party with people from--I could say from all over the world--it was really something.

But in any event, the result was that I met the entire board and got a picture of what it was all about. When I came back, I told Frank, "Get ready, I am leaving, and this is what I'm going to do."

LaBerge: I wonder if we should end there and start with the Bank of Hawaii next time?

Peterson: That's fine.

Changes at Transamerica

[Interview 6: April 1, 1993] ##

LaBerge: We were ending, and you were talking about being at Transamerica, and talked about the differences between yourself and Mr. Belgrano. I wondered, before we get into the Bank of Hawaii, if you could say something about how the Bank of America changed after both Gianninis died. Because it sounded like there was a certain atmosphere that had changed which made the Bank of Hawaii look more inviting to you.

Peterson: No, it was not the Bank of America; it had not changed. Actually--well, Mr. Beise was no Giannini. He was, in his quiet way, a very effective manager. We had gone to work a matter of a few months apart in joining the bank, and he had worked at the

management level. He was the bank examiner for California. That's where A. P. met him and was impressed. He in turn was impressed with the Giannini philosophy, so that continued on.

The problem was really in Transamerica, and sufficiently so that Clark Beise asked me to drop in. I think he, like I guess some of the rest of my friends, had sensed the difference and the change.

And the other [reason] was that I was kind of keeping my eyes and ears open for alternatives. The children were out of the nest--Price was off to Pomona [College] and Linnea had graduated from Stanford and was getting married. With the results of the mastectomy, and there was some question in Pat's future, that a new tee and a new environment might be interesting. I guess the major reason was a new and exciting setting for Pat and for both of us together.

X THE BANK OF HAWAII, 1955-1961

Offers from the Board

LaBerge: How did the people in Hawaii know of you?

Peterson: I think on the same basis--for the same reason--that Clark Beise called me over. In other words, this change, for those people who knew Belgrano, and a lot of my friends in various parts of the country knew him. He had been associated with the Gianninis ever since he was a young man. He, of course, had been rather prominent as the chairman or president of the American Legion in the U.S. As the CEO of the First National Bank of Oregon, which is the biggest bank up in Oregon, naturally he was rather well known. They knew that Sam Husbands and I had been very close, and that there might be quite a difference. So I had several inquiries by that time.

LaBerge: What was the situation with the Bank of Hawaii when you went there?

Peterson: When I arrived, there had been--I, of course, visited with three of the senior men. Walter Cameron, who was the president of Maui Land and Pineapple Company, which was owned and closely tied to Alexander & Baldwin, one of the biggest of the Big Five. When he was over here visiting early in 1955, we had luncheon together. He had talked to me about the bank, and a great deal about Hawaii. He primarily wondered if I might have an interest, and was reciting some of the interesting things that were developing in Hawaii. He said he felt that they'd like to have me join them.

Some years earlier, following founder Charlie Cooke's death, the board had elected the cashier, who had been there for many, many years. Ed Carden was still the cashier, and he was more concerned that the books were balanced every night than

whether they ever had any new accounts. As a result, I think there was a feeling in the community that the bank wasn't altogether a pleasant place in which to do business.

LaBerge: Did the board recognize that, or did you get that feeling when you arrived?

Peterson: No, the board had recognized it, and several members had talked to me about it. And besides, Carden was overdue for retirement. I was under the impression they might have had a candidate or two before then, and they'd taken a good look at it and gone the other way.

The Bank of Hawaii wasn't founded until 1897, but under the leadership of Charles Cooke, it had moved right up with the Bishop Bank. In the five or six years before I came in, it had just steadily dropped down. So now it was a new low--I think the deposits were something like \$163 million.

So obviously, the board wasn't happy. More specifically, Judge Stedman, who was a key man on the board, and the son-in-law of Charles Cooke, was very concerned. He was the head of Cooke Trust, which was a very successful trust company over there.

He, of course, was very close to the bank. He came over here and visited with me after Walter Cameron had been over. He talked a good deal about the specifics of the bank and what needed to be done.

Walter Dillingham and Dillingham Corporation

Peterson: I'm pretty sure he's the one who, a year or two before, had convinced Walter Dillingham to take the chairmanship of the board. Walter Dillingham of course was Mr. Hawaii himself in many ways. His father had come over in the middle 1800s, and had started an interesting construction company. I think under his father, they had built the one and only railroad on Oahu. It ran from Honolulu up into the rest of the island to supply all the sugar plantations where the very intensive activity was in sugar and some other activities.

In the late 1800s or probably about the turn of the century, Walter, like so many of the sons and daughters, went back to New England for their schooling. He was in Harvard his first year. He came home that summer and realized his father

was not particularly well. So he did not go back and finish at Harvard, despite the protests of his father. He insisted on staying and carrying on.

When I arrived, Dillingham Corporation had a ferry and barge system for freight between all the islands. They had, among other ventures, deepened Pearl Harbor to make it more accessible for shipping. It so happened that prior to that, much of the area between downtown Honolulu and Waikiki had been semi-swamp. That's where they put all the additional soil that they had from their excavation. In the process following that, the Dillingham Corporation bought a good deal of this land that had been reclaimed. And of course, the price was right, considering much of it was when it was still kind of soggy and full of water.

So not long after I arrived, in the center of this area, they built a very beautiful shopping center. It had most of the leading shops and stores.

So Walter Dillingham was very much a key member of the community. He was the man that finally convinced me, when I came over at the board's invitation. As I mentioned earlier, it happened to be his eightieth birthday. There was the most fabulous dinner party that I've ever attended out on their patio and their lawn. There were 400 to 500 guests. People had come from all over the world, almost literally.

As I indicated, the key to building up my very real interest in joining was Walter Cameron and Judge Stedman, and particularly Walter Dillingham. They weren't particularly talking about a job in the bank. They were talking about, "We want you to come over here and join us." They were talking about the possibilities they saw in Hawaii and the Pacific area. The bank was a very key factor in that program, but it was, "Come over here and join us, and while you're about it, run the bank too." [laughs] Which was kind of interesting. You felt as if there was a place for you as a part of the community. I think that was what really appealed to me.

Welcome to Hawaii

Peterson: I think it started off, for example, when Pat and I arrived, we of course had reservations at the Royal Hawaiian and everything all set. [tape interruption] And who should be at the plane but Mrs. Harold Kay, another Cooke daughter. They had a large

block of Bank of Hawaii stock. They visited us in San Francisco and asked if we were interested, Transamerica, in buying a portion of their Bank of Hawaii stock. So I had met with them about a year earlier.

So here she was and said, "Well, the Martin Andersons have gone on an extended vacation up in Canada and will be gone for a couple of months. We think you'd enjoy living in their house instead of going to a hotel." Martin Andersons were close friends. We said, "Well, we have reservations at the Royal."

"Well, if you don't mind, we'd like to cancel those," and so she drove us out to this lovely home. We arrived about noon, and later that afternoon, one of the neighbors, again a friend of theirs, she came over with a casserole for supper.

That was the atmosphere with the neighbors around there. Boyd MacNaughton was the head of another of the Big Five whom I had known of and he'd known of me because his father was the former president of the First National Bank of Oregon. So they came by, and invited us to come over there to their house the next evening for dinner. It started off on that sort of a basis, and continued on.

Ed Carden and Jim Shoemaker

Peterson: Well, getting back to the bank. I found that Ed Carden was still an outstanding cashier. He knew exactly what went on in the bank everywhere, as far as internal transactions and such. But obviously was not the type that was particularly interested in making the bank part of the community. He questioned me at some length as to my experience, because I'd only met him once casually.

After we'd talked, he said, "You know, I'll bet you have never run a bookkeeping machine." That was obviously to put me in place. I said, "No, Mr. Carden, and I hope I never will learn." [laughter] This was so typical of his psychology.

Another fairly recent incident prior to that, that I heard about quite soon, Henry Kaiser had moved to Hawaii about six months before I came there. And of course, there was tremendous excitement. The result was that the newspapers were talking with the leaders of the community, "Well, what do you suppose he's going to do here?" They got to Ed Carden and he said,

"Well, he's just here to make a fast buck." Well, with that, he had provided their headline in the newspaper for the next day.

So you can imagine where Mr. Kaiser started his banking. It wasn't at the Bank of Hawaii. [laughs] I was impressed, because as you know, the Gianninis and Mr. Kaiser, the Bank of America, had grown up together.

LaBerge: Where did you learn that it was important for the bank to go out into the community and to be a part of the community? Just from your experience?

Peterson: Probably from my first few years with Bank of America working with the branches in the San Joaquin Valley. Almost half of these branches had in earlier days been independent banks. With the terrible depression in agriculture following World War I, the government had asked us to take over many of them before they went broke. Hence, many of our managers had been their presidents and well established in the community. As our branch managers they had no trouble participating in Bank of America's policy of keeping in close personal touch with both customers and the community itself.

However, while I'm being critical of Mr. Carden, I will point out one outstanding move he'd made, which was a big help to me. He was I think probably the first one to bring in what turned out to be an outstanding economist into the bank, Jim Shoemaker. Jim had a particularly interesting background, because clear back in the twenties after he got his Ph.D., I think from Harvard, he had first gone out and taken an assignment in one of the colleges in Japan. That of course led him to becoming interested in the Pacific area. So he finally wound up, within a year or so, making a study for the Bank of Hawaii of the Pacific area and its potential. He published articles on the subject that introduced Bank of Hawaii to many potential customers on the mainland.

I don't know just where Ed found him, but he had brought him out there about a year earlier as the economist. He turned out to be--well, he was an economist for all of Hawaii. Everybody looked upon Jim as their economist as well.

Innovations: Reaching Out to the Community ##

LaBerge: I understand that you made several innovations to get more business for the bank.

Peterson: Well, yes. One of the early things we did, which certainly hadn't been done since Charlie Cooke had died, was to have a retreat with all our managers from the various islands. We spent a day or a day and a half together. I asked them--well, first we had a general discussion of what our objectives should be, and how should we go about it in a general way. And then I asked each manager to give me the picture and the story of his particular area, his branch and the activities and the part of the community he served. We were on all three of the islands--Oahu, Hawaii, and Maui--

LaBerge: Not Kauai?

Peterson: Oh, yes, Kauai too. I'm sorry; there were four. And so that was kind of a diverse area, and I was interested to see how they not only ran their branch and their banking, but some sort of a description of the community and the area. And this they did beautifully. In the process, I learned two things pretty definitely: one, the philosophy of the bank under Carden was that you sat still in the bank and waited for the business to come to see you. And you did not go out and visit the customers and learn more about them.

The second lesson out of this was that your standing and your success was measured by your ability to carry on and never have a loss. And of course, a lot of stories evolved out of my questioning on that score, because I wanted to know how you would know that you had served the community properly if you had not had any loss. In our economy, one obviously had to take a reasonable risk in order to expand your usefulness in the community. Which of course would mean you're bound to make a mistake now and then. Or, circumstances that you could not foresee develop to the point where you wound up to where your customer was unable to pay his loan, at least when it was due.

Well, that brought on (fortunately) a light and lively touch all through the managers. There even have been a few newspaper stories about this over the years, one as late as February, 1977.

LaBerge: Well, you sent me one that said you reprimanded someone who said, "Oh, we've never had a loss."

Peterson: Right. But in any event, that set the stage for the rest of the day or day and a half. Our role now was to get out in the communities, find out how we could be more useful, to individuals and to the community as a whole, and become very definitely a part of it; secondly, the measure of the manager's success was based on a cross-section of business which had some losses in it but the net profit was still bound to be much larger than if you tried to operate at no risk.

Well, that set the stage for getting the organization in terms of the branches not only more involved in the community, but assuming more responsibility. As I told you earlier, I was impressed with Mr. [Mario] Giannini's meeting with managers when I first arrived in the Bank of America, which happened to be toward the end of the Depression era. His final admonition to the managers as he had them together was, "From now on, you are the banker, you make the decisions. We're here to assist you in any way we can so you can make the right ones, but you still make the decisions." This made it all very simple and direct. I am sure I quoted Mr. Giannini word for word without giving him the credit.

LaBerge: When you say Mr. Giannini, do you mean Mario?

Peterson: Mario, yes.

LaBerge: Okay.

Outstanding Personnel

LaBerge: It must have been a breath of fresh air for all of these managers, too--and sort of a vote of confidence to be told that.

Peterson: Well, it wasn't very difficult. Actually, I was very much impressed with many of these young branch managers. Most of them had been on the mainland to a college and graduated. Most of them had grown up out here in Hawaii. They decided this is where they'd like to be, and they'd come back. Interestingly, a few might have come back in time for Charlie Cooke to hire them, but most of them had been hired by Ed Carden. He had brought them on, and had made it reasonably interesting, but I'm sure he could not have kept them.

I was very proud of the fact that at the end of five years, we had one resignation out of that whole staff of managers. And

they were just outstanding. They were all in their middle thirties or thereabouts.

Well, the first thing we did was to set up the islands as centers, geographically. Fortunately, on Kauai, we had an outstanding man I would say in his early fifties who had had banking experience before he came to Hawaii, from Scotland incidentally, [James] Corstophine. I asked him to be the vice president in charge of that island, so that the managers on Kauai would have somebody next door to consult.

On Maui, Bill Balthis was running the major branch. I asked him to be the vice president in charge of Maui.

We had a man who had come from Boston about seven or eight years earlier, and he was younger. He was in, I'd say, his forties, who was our number two on supervising lending activity under Carden. Jim Evans was really an outstanding man. I asked Jim to go over on the big island, Hawaii, and become the vice president there. And there, outside of Oahu, was the most extensive activity. A few years ago Bank of Hawaii bought the First National Bank of Arizona. They asked Jim to defer retirement and run it.

Then we had a brilliant young Japanese who was just crossing forty, Bob Susaki, who had run one of the main branches very successfully in Honolulu. I asked him to take supervision of all the branches on Oahu, except the branch at headquarters.

At headquarters, I asked kind of our number two man who was in charge of all lending. We gave him some additional staff so that he would kind of run the head office, the main branch also. Because of course, we had major relationships there.

LaBerge: Who was that?

Peterson: Ed Schneider, who was kind of the number two, and at one stage became the interim president, and that was another story later on.

LaBerge: Did you bring any people with you from the mainland?

Peterson: Yes, later I did. I borrowed from the Bank of America a younger man who had helped implement Mario Giannini's ideas of studying and improving the systems for bookkeeping and the routine work within the bank. I believe you asked me about--

LaBerge: Oh, the standards, whatever it was called?

Peterson: Yes, the standards. That's it, and it was Al Kantrowitz. He had been on the staff in various assignments and had recently been put in charge of purchasing in the bank. So he was a tough trader, too. By this time he was well along toward retirement, and Clark Beise was good enough to say yes, and he wanted to come.

So he came over for about a year, and really streamlined our routine activities in the bank. In other words, applied the concept of standards. And also, of course, in passing, made sure that we were doing our purchasing of supplies and requirements properly.

Innovations: Installment Lending and Credit Card

Peterson: Then I had another good fortune. About that time I was getting ready to broaden their base of installment credit and consumer credit. They had only done a little personal loan lending.

My friend [William] Bill McCarthy came for an extended vacation in Hawaii. Bill McCarthy had retired, was the veteran in installment credit in one of the two banks that had been in the business and survived long before Bank of America. He was from Shawmut National Bank in Boston, and the other you may recall was Crocker Bank right here in San Francisco.

Well, anyway, he was coming over and we had a lunch together practically the moment he arrived. I asked him if he wouldn't like to do a little part-time work while he was resting and relaxing.

He was very intrigued. It became considerably more than part time. He really got into it. He got us on our way with installment credit, and in the process, trained Paul McDaniel, who for some reason we called Nick. And so by the time that Bill was ready to go back to Boston (and incidentally later came back to Hawaii again), he had Nick thoroughly trained and a staff set up. So we were well on our way, thanks to Bill McCarthy.

While Bill was still there, I had gotten some of the techniques from Bank of America, who had just gotten into the credit card business. So we were practically the second bank in the country to get into the credit card business.

LaBerge: Wow. Isn't that one of Mr. Beise's contributions, that he started that?

Peterson: Oh, he was the one who did it, yes. In other words, various banks had tried the credit card business and gotten out of it. Just as Clark Beise carefully studied the use of the computer for banking, and was the first in that area. He stayed with and studied various systems and procedures in handling the credit card and made it both sound and controllable and profitable.

However, in the process, before there was any net profit, he had made an expenditure well over \$5 million. But of course, this was a big place in which to get it set up. But I was getting the benefit of that \$5 million.

Financing Residential Housing

Peterson: As I recall, about the next thing we went after was financing the residential housing business in Hawaii. Here, the tourist business was picking up, the economy was broadening. Even some of the young men who had been exposed during the war period had fallen in love with Hawaii were now married, and maybe their first child or two, and decided here's where they wanted to be. And of course, the basis of retirement was growing as well, with people coming, so that there was a tremendous potential in demand for housing as well. No one was financing it.

Well, I shouldn't say that literally. But it was not being financed on any broad scale because we had to limit ourselves to what we could afford to invest out of our savings deposits, and that had its limit, even though ours was growing quite rapidly.

LaBerge: But the Bishop Bank wasn't doing a lot of it either?

Peterson: No, practically none. And none of the banks had any formal project development plan. The Chinese, of course, were the ones who were the entrepreneurs in that area. So this was their cup of tea. In some cases, those who had prospered owned open tracts of land, hoping some day to turn them into something other than for vegetables or sugar cane production.

So now I drew on my ABC experience. On an early trip to the mainland I visited with some of my investment friends, among them Metropolitan Life Insurance Company whose investment chief on residential mortgages I had known for a number of years.

At the time, I remembered that I had learned from friends that their general counsel had a particular interest in Hawaii. So after the three of us had a visit for a while, the general counsel decided that we should meet with the Metropolitan CEO and tell him something about the possibilities in Hawaii. They had no residential mortgage investments in Hawaii whatever. As Metropolitan became active in our market it was easy to suggest to others that they follow. With Metropolitan leading the way, life became very interesting.

Well, that gave us a pretty sizeable start, because the Metropolitan had a good deal of capacity, being in those days the number one insurance company. In due course, we had all the capacity we needed from four or five major investors whom I had known. So we had an outlet for the mortgages, and then of course we would service them for half of 1 percent, in the orthodox manner just as ABC did. So with that, we were able to sit down with our Chinese friends and set up programs for development of these tracts just as we carried on in the [mainland] United States.

And in the meantime, of course, for individuals, we let it be known throughout Hawaii, to anybody that wanted a residential loan on an individual house, new or used or otherwise. So we became the big source of financing residential housing. In turn, this of course brought into us a lot of fine families. They needed commercial banking and savings deposits and so forth. It broadened the base in an area that we wanted to broaden in.

Howard Stevenson from Kansas City

Peterson: But there's a coincidence with all that. Dave Austin was the vice president in charge of this. He was getting into his fifties and a mature man who had handled whatever residential and other real estate lending they'd had, so we just broadened his base.

But this was obviously getting out of hand for him. There was no other experience around him. So we were interested in bringing somebody in with some real estate/lending background.

Fortunately, we had sent word out and had a letter from a young man who was with the Kempers in Kansas City. They had a mortgage subsidiary as well as a bank in Kansas City. He had been with them for several years, a young man in his early

thirties or such. Our people sent word that I would be in Chicago at a certain time, and I'd be delighted to meet with him there.

Howard Stevenson came up from Kansas City, and we sat down together. After an extended visit, it was obvious he had all the background, and was just the type that we wanted. However, I had also naturally learned in the meantime that his and his wife's parents all lived in Kansas City. The Howard Stevensons had three lovely small children. And after I had learned that, with the rest of it, I had to say, "I'm sorry, but I don't think you can come." He said, "Why not?"

I said, "You have all the qualifications, but I just don't think it would work out for you." "Why?"

I said, "Well, we've had to learn in our short time that when you put 2,000 miles of water between Grandma and her grandchildren, eventually you have to get somewhere closer to Grandma. A couple thousand miles of land isn't a problem. Water, that's almost fatal."

He was kind of stunned, and thought a bit. He said, "What if I bring Grandma and Grandpa?" I said, "You got a deal." And he did. And today, he's now for three years been the chairman and the chief executive of the Bank of Hawaii.

LaBerge: Oh, really?

Peterson: He is the third generation behind me, and very successful.

LaBerge: All your experience, you knew that that was important. A lot of people I think are just business persons, and they don't know about that personal side that that would in fact be a problem, with the families separated and--

Peterson: That wasn't intuition. [laughs] I hadn't been there long enough to experience it, but I'd seen it around me. Fortunately, Ed Carden had only hired those who came back on their own, kind of. Ed Schneider came over on his own; he was in his early fifties.

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LaBerge: You brought somebody over later.

Peterson: Yes. With a couple of veteran retirements in the operations side we did not have a successor ready. I knew that Bank of America had a relatively young number two or three in operations

who would be some years from moving up in rank. Hence, I talked to President Beise about him and he graciously suggested that if Cliff Terry was interested, an invitation would be noted. Fortunately, Cliff Terry enthusiastically accepted.

LaBerge: Did he stay?

Peterson: He stayed, oh, he stayed there until he retired. Oh, yes. He remained on the operations end.

New Savings Accounts at Sugar Plantations

Peterson: Well, about this time also, Max Pilliard, who was kind of our public relations man and such, came to me. He, like everyone else, was on the lookout for what the new potential was. He pointed out that there was a great deal of potential savings business in the mattresses of our Filipinos working on the various sugar plantations. Actually, there was as I recall between 11 and 12 percent of our total population on the Hawaiian Islands were these Filipinos. The Chinese had been the early laborers on the sugar plantations, and then the Japanese came along. In the meantime, the Chinese had either moved up or left, and the Japanese came. However, the Japanese soon moved into another level. The previous twenty years, the Filipinos had taken over.

In the meantime, the longshoremen's union had also been very active. These were the days of Harry Bridges in San Francisco. One of Harry's boys came over there. Shipping had been their mainstay, but now he discovered these sugar plantations with these tremendous groups of laborers. We still weren't mechanized enough; an awful lot of that work called for thousands of laborers.

So here they had paid-for housing on the sugar plantation. In the meantime, they had upscaled the income, so that they were doing quite well--all they had to do was buy their food. We knew that their savings were quite considerable, naturally.

So Max had visited with the managers of the sugar plantations, and discussed our interest in getting some of that money out of the mattresses and into our vaults. They, in turn, confirmed what Max knew, that they had had quite some trouble with them getting into each other's mattresses, so certain unhappiness there.

So Max suggested that we would like to sit down and talk this over with the Filipinos. To help make it interesting, Max felt that we could bring them a couple of movies from the Philippines, of life in the Philippines. We would present a movie, and then we would talk to them and explain to them what we could do. In other words, for this money that was in the mattress, we would pay interest on it, so they would get some income as well. And, they could be sure it would be safe.

So the result was that Max and a couple of his people set these up and scheduled gatherings. What we would do is we would show the movie, and children, everyone was welcome. Then after the movie was over, we would have available juices and coffee and cookies and such refreshments. Then, while they were having juices and coffee and such, we would talk to them informally about the advantages of maybe taking the money out of the mattress and putting it with us.

Well, it was very interesting. The first or second such meeting on each island, Max told me the story. They would be setting it up, and pretty soon you'd see a head poking in a window--of course, there were no windows; they were openings--and [laughs] apparently they saw nothing dangerous inside, so within a matter of a few minutes, one or two would come in. As a matter of fact, according to him, a few crawled in through the window.

Then once a few came in and sat down, before we knew it, the house was full. And in the meantime, these pictures apparently were excellent. I saw one of them, and they were. He had really gotten some people in the Philippines to get them for him. The Filipinos were enthused no end.

Well, after the first one or two showings on each island, the house was packed in every new sugar plantation we went to. This went on for several weeks. Likewise, the results followed. In other words, the children loved the cookies, so they couldn't leave; the parents had to stay. [laughs] The result was that the message got through in beautiful shape.

But it was a lot of fun, and of course, that story getting out over the islands again gave us--people knew who the Bank of Hawaii was.

LaBerge: So did you have to set up new branches because of that new business?

Peterson: Yes. We expanded the branches, you're right. At least we increased them by 50 percent more than they were when we came. I think we had forty-some branches in the islands.

Services for the Armed Forces in the Pacific

Peterson: Speaking of branches, the Bishop Bank was the principal bank for the army. We were the navy's bank, as well as the air force. But Admiral Stumpf, the chief of the navy for the entire Pacific area, was the number one military person. I'll give you later the names of some you'll recognize.

So in our active interests working with them as their bank, they of course had heard of what we were doing on the islands. They raised the question of whether we could work something out with them to give them banking facilities in some of these trust territories, and the other islands throughout the Pacific.

In the meantime, we had established a bank on Guam, and incidentally competing with the Bank of America there. But we were doing all right and so were they. Guam had become a major center in the Pacific by the late fifties, military-wise for the U.S. in every way.

The result was that we wound up setting up, it must have been close to a dozen branches at the various key islands throughout the Pacific. And of course, in practically all of them, the navy would have some sort of a setup. As a result, there were facilities there that were not only attractive but the navy would have a little club atmosphere, to give a little social life.

Well, this became very interesting to me, because we had young men who had been with us maybe four or five years lining up outside the door, could they be assigned? It was a kind of a one- or two-people operation, you see, in each of these. In the meantime, the navy would provide them a nice little house just as naval officers were provided, cost them nothing.

I limited it to three years. At the end of three years, these twenty-year-olds are just crossing thirty, their salary would have been almost net to them, so they came home with enough money to buy a house and all. While this was not a complicated, extensive deal, there was enough banking, and they had to make their own decisions, that it was good training. And this they wanted, so we had no problem.

I've always been interested in pointing out that our furthest branch to the west was 100 miles further away than Chicago was to the east. So we were covering a reasonable territory.

Personal Banking Service

Peterson: These were most of the new activities. I've forgotten one that came in fairly early, I'd say within the first year or so. That was something that had even bothered me long before I came to the Bank of Hawaii. If you wanted to buy an airplane ticket, invariably when you were through, the person at the counter would say, "Thank you, Mr. Peterson." I could never see why a teller couldn't read the name that was in front of him just as well as the person working for the airplane company.

So I discussed that with our people. I had never known of it as an established procedure even in the Bank of America. So I discussed it with our operations people, and Guy Pilz, who was a very excellent operations man, but had grown up under Carden. His response was, "Oh, no, you can't do it. It won't work."

Well, as it turned out, Stan Widowski went to work. The next thing I knew, on several occasions I was stopped on the street, "What the hell is going on? I've been doing business in your bank for thirty years. I was in there the other day, and the teller says, 'Well, thank you, Mr. Smith.'"

LaBerge: And did you just get that idea from, for instance, the airline industry?

Peterson: Well, obviously it happened in other places, but at that time, the airlines were of course getting going and were competitive. I don't mean they were new, because after all, this is the fifties. But they were all actively training their people to do things. Among other things, at the counter, I was impressed--because I was doing an awful lot of traveling and had occasion to pick up my own tickets, when I'd come over here and such--with the fact that they just read what was on the ticket.

Early Year-end Statements

Peterson: Another innovation came from my friend, the CEO of the California Bank in Los Angeles. He had just started a plan to get his year-end statements ready ahead of time with all the wording and the printing necessary. And then at the year-end, get all their figures together; within the first week of the year, he would have their annual statements out on the desks of the financial chiefs and treasurers ahead of everybody else. The rest came along a month or two later.

So I talked that over with our people, and of course called in our printer and talked to him. But most important, our operations people thought it over and decided they could do it. The very first year, they were a little late. I think it was almost four o'clock New Year's morning before they had it done. But in any event, they did, and from then on midnight was their deadline.

So it became quite an event, because Pat then said, "Well, after all, if they're not going to be home New Year's Eve, let's have their wives gather here with us. And then as the men finish, they can come to our home, and we'll have a midnight supper. And in the meantime, the wives and those men that have come earlier can play cards." Our home was up on kind of a shelf on the hill with a 180-degree view of Honolulu and the ocean, and with a big patio there. With the usual pleasant weather, we had always entertained there. So we could take care of thirty or forty or whatever.

So this worked out beautifully. The wives would come about eight or nine o'clock and get some card games going or whatever they wanted. And of course, then their husbands would come drifting in from maybe ten o'clock on until midnight. There might be some junior people left picking up the odds and ends. You can imagine what the fireworks were at midnight on New Year's Eve with all our Chinese and Japanese in Hawaii.

So it was very exciting, and I think that everyone enjoyed their New Year's Eve, even though they had to work for it. And in turn, the Bank of Hawaii became known rather quickly throughout the United States in corporate offices, because of course, we not only sent them to those who did business with us, but we sent them on to most of the major organizations throughout the country. Our annual report was on most executives' desks when they came in the morning after New Year's. It was a good way of becoming known.

LaBerge: That's for sure.

Peterson: Incidentally, I don't know whether you realize the distribution of the population by nationality there.

LaBerge: No, that would be very interesting.

Peterson: The biggest cross-section of population was Japanese, 32 percent. We "haoles" were in second place with 28 percent. [tape interruption; looks through notes] As I've already mentioned, the Filipinos, 12 percent; the Chinese, 10 percent; and then the balance were a mixture.

Henry Kaiser

LaBerge: You were going to tell me about Mr. Henry Kaiser and how you reconciled with him.

Peterson: [laughs] Well, that was a very interesting period. One of the first things, after I had come Walter Dillingham said, "I know that you'd be concerned of the history of the Kaiser relationship with us, but I want to assure you that I've talked about this with Henry. I've reminded Henry that he and I have had various partnerships in various parts of the world. Now that I'm in my eighties, I just want one more partnership with him, and that's with the Bank of Hawaii. So don't worry, take your time, and we'll get around to it."

Well, in keeping with that spirit, naturally when I would go to a community affair of cocktails and such, I'd make it a point to say hello to Henry, and visit with him. We were at one reception, and Henry said, "By the way, have you heard about this new housing project at Scofield Barracks?" This was our big army military center. He said, "That's a pretty good-sized deal, and this is the kind of thing I think you, the Bank of Hawaii, ought to get into."

I said, "Yes, Mr. Kaiser, I have heard of it." "Well," he said, "this is something you ought to be into, and not let those banks on the mainland handle the whole thing."

I said, "Well, we have taken hold of it, and we are going to be the lead bank. It's a little big for us, so we're letting a couple of the banks on the mainland have a smaller piece of it. But other than that, we will handle it."

He said, "Well, I hadn't heard of that." "Well," I said, "Mr. Kaiser, you know, it's better to do these things quietly," and then I found an excuse to walk away. [laughter]

So I guess it was maybe a year or so later, he called me one day and said, "Well, Rudy, I'd like to see you when you have a little spare time, because I think we've reached the point where we need a bank instead of just a depository."

I said, "Yes, Mr. Kaiser, I'd be delighted to come. When could I see you?" He said, "Oh, any time." I said, "I'll be there in fifteen minutes."

So with that, I got hold of Ed Schneider, who was our senior lending officer in the bank, and as I said earlier, had come out there from the Bank of America some years before. We drove out and met Mr. Kaiser. I introduced Ed Schneider to him, and I explained to him that I bring Ed Schneider along to keep me from giving the bank away.

I said, "You know, Ed learned his lessons under Fred Ferroggiaro." Fred Ferroggiaro of course is the man who took Mr. Kaiser on when he was getting started, and handled his affairs all the way through.

So Ed said, "Yes, it's very interesting, Mr. Kaiser. I was a young assistant on one of your early applications when you were going to build the cement plant down in Los Gatos. I was assigned the job of getting all the facts and the figures together, and presenting it to the loan committee."

Henry said, "Well, young man, I presume you recommended it?"

Ed didn't budge, looked him right in the eye and said, "No, Mr. Kaiser, I recommended they turn it down." With that, we were all set.

So the result was that we reviewed what he had in mind, and obviously what he was going to need in the way of financing was very reasonable; it was no problem. So I was able to turn that over to Ed, and he and Ed from then on, plus his financial men, worked it out. I would visit with him from time to time, and he, knowing that I visited with Edgar [Kaiser], his son, over here, he'd tell me how god-awful high their costs were here on the mainland and so forth.

It was kind of interesting because I'd relay some of that when I'd see Edgar. His response was, "Yes, he's absolutely

right. Our costs compared to yours in Hawaii are much higher. Of course, your walls aren't quite plumb, and [laughter] your roof is a little bit the wrong angle, but that's all right. Your costs are lower."

But we had a wonderful time together, and knowing and seeing both of them regularly, it was a very pleasant relationship from then on.

I guess the climax for me was the last year I was there. I knew that Mr. [Conrad] Hilton and two or three members of his board were over there spending some time with Henry, and were negotiating to buy the hotels. As a result, when they apparently had concluded everything, we were invited to a reception out there at the hotel, to meet Mr. Hilton and his colleagues along with Henry and so forth. And of course, naturally Mr. Dillingham and Judge Stedman and a number of my directors were invited also.

So after we had visited around a while, Mr. Kaiser got me aside and said, "Actually, I'd like to complete the deal while they're here. They would like to complete the deal and make a bona fide down payment here," which was some quite substantial sum, maybe a million dollars or so. "And I wondered if in the next couple of days you could arrange it. Do you know enough about the Hilton setup and such?" I said, "Yes, I do."

So it occurred to me that four out of the five members of my executive committee were there. So I got the four members together, and we went over in the corner. It was no problem, unanimous agreement and this made it official. The result was, I went back to Mr. Kaiser in about twenty minutes and said, "We've just had a meeting of the executive committee, and they've approved it. It's all set now. You don't need to wait." With that he called Mr. Hilton over and promptly gave him the news.

But in any event, it was a relationship that was most enjoyable, and so much so that when the word got out that I was leaving, Mrs. [Alyce] Kaiser called me. I was a widower by then. She said, "Mr. Kaiser would like to have a little dinner party before you leave, and would you be good enough to give us a list of the guests that you would like to see there?"

I said, "Well, thank you very much." They had this beautiful place out on the point kind of by itself, overlooking the ocean.

I sent them a list of a number of our friends, I would say probably forty or fifty all together. They added a few of their own. Among them were Mr. and Mrs. Walter Dillingham.

So I called Louise Dillingham, and I told her that I wished they would ride out with me. I had invited a lady friend of ours, so that we'd be even couples out there. Louise said, "Oh, no, we couldn't accept that. With what Henry said about our Ben, when they were going to build that cement plant and so forth out here? No, no." Their son Ben was in the legislature and had opposed the permit.

I said, "Louise, come on now. This is my going-away party. They're doing it for us, and you know that you're going to come with me." And finally she said yes.

So we picked up Louise and Walter, and drove out. We got out there, and here was music, and oh, it was just a beautiful setup. Our friends were all there, and we had a wonderful time.

When it was time to sit down to dinner, Walter and I of course were seated at a table on either side of Mrs. Kaiser. Louise and the lady I brought were on either side of Henry. According to my friend who was there, apparently they were just well seated when Louise turns to Henry and says, "Henry, you know, we have no business being here. I told Rudy that I would not come, but he finally persuaded me, but with all the things you said about Ben at the time you were going to build that plant," and she went on and on and on.

Meantime, Henry had reached over and placed his hand on hers, and said not a word.

Well, the sequel was, this very nice orchestra was playing and everyone was dancing and having fun. I had to get out on the floor to get Louise to come home! She was having the time of her life.

Consul General for Sweden

LaBerge: Did you have other activities in Hawaii? I read some story, and I didn't quite understand it, about being consul general.

Peterson: Oh, yes. Sweden's consul general, Manne Lindholm, had been in San Francisco for years. As a matter of fact, what is it they call the oldest consul general?

LaBerge: The elder statesman?

Peterson: The elder statesman; he was the elder statesman by far here.

LaBerge: Here in San Francisco?

Peterson: Yes. We had known him here, of course. He had been offered ambassadorships to various places, but he loved San Francisco. So he wouldn't take anything else. They had an elderly Swede who for years had been the consul in Hawaii. Back in the early days when Swedish ships came by and Swedish sailors got drunk, somebody had to get them out of jail.

By now, he wanted to retire. He was still there, and in his maybe eighties by this time. So Manne Lindholm came over to select someone to take his place. Of course, in Hawaii, this appointment was "honorary." We saw something of him, but I did not know he had been unsuccessful.

So the result was that the next time that Pat and I were back here, he had called and invited us to lunch. We had lunch. I think there was another couple too, six of us. After lunch, he and I and this other gentleman, we walked in to the other room, and I found out what he was really after. He wondered if I would be it.

He explained that he had been over there and had been unsuccessful. He felt he'd spent the money to do this and so forth, and he felt he was obligated to see that he got somebody, and would I consider it.

So I finally said, "Well, Manne, if this is what you need to get your expense account okayed, I'll do it."

Well, [laughs] naturally, I realized that I didn't have to worry about sailors any more. But what I did have were these very attractive young ladies who'd come over there, and decided they wanted to stay a little longer, and their visa had expired. So they had to renew it. I could renew it.

My secretary of course gave me a bad time. She said, "Up until now, all these things you've turned over to me, but now you handle them personally!" [laughter] But in any event, it was very delightful.

LaBerge: So you didn't have to be a Swedish national to have that job?

Peterson: They preferred it, but you didn't have to, no. As a matter of fact, I have just been named by Bhutan their honorary consul.

LaBerge: Right now?

Peterson: Yes.

LaBerge: Oh, my goodness!

Peterson: I just learned about it three days ago. The foreign minister is an old friend, and as a matter of fact, my grandson dated his daughter when they were both at Berkeley. Nothing serious came out of it, but they had fun. We see them very regularly.

Building a Home on Waikiki Heights

Peterson: During the early months in Hawaii, we of course started to look around to see where we would like to live. The hospitality of our new friends had its limits. Our first two months here, of course, were in the lovely home of Marty Anderson and then several months in a lovely guesthouse.

In the meantime, Pat had fallen in love with Waikiki Heights. This is located in the center of the five mountain ridges, going up opposite Waikiki Beach and the fifth ridge, opposite Pearl Harbor. Waikiki Heights is just opposite the Yacht Club.

It turned out we had quite a few friends up on Waikiki Heights, and Pat was very intrigued with this area. In the meantime, our friends kept telling her that, "You know, you should not commit yourself to anything for at least a year. If possible, try to live part of the time next to the shore, and part of the time back in the heights, because it's quite different, and that way you can tell."

Pat said, "I don't need to wait a year to find out where I want to live. I'd just love to live up there on the ridge."

So as a result, she would from time to time roam up there. Occasionally when we went up to have dinner at one of our friends' homes, we might go up early and look up beyond on the ridge. She also looked around a bit on her own and had noted one place with several unused acres.

On one occasion the owner was out working in his yard. So she stopped and talked to him, and asked him if he'd be interested in selling enough for a home site over here on the edge. He said no, he wouldn't.

The sequence to that is that years later he saw a friend of mine some months after Pat died, and he said, "You know, Mrs. Peterson talked to me about part of this property. I don't know just where she is, but I've decided I want to sell it, and I'd like to sell it to her." So my friend said, "Well, it's too bad, it's a little late."

The point of my story is, she had probed and explored enough that out of the blue Lorin Thurston, the publisher of one of the two leading newspapers in Hawaii, the Advertiser, called me one evening and said that he understood that Pat was interested in building in Waikiki Heights. They lived on this beautiful estate with about three or four acres. He said, "We have a shelf with a lovely view about a half-acre which has kind of been the vegetable garden and that sort of thing here. If you and Pat would like it, we'd be glad to have you buy it."

Well, I couldn't believe my ears. So the result was that they invited us over for a drink, and we looked it over. It was dropped just enough that it separated the two pieces of property. We had complete privacy, as did they. And we had almost a better view than they in their beautiful home up above us.

There was no question as far as we were concerned, so Thurston then said, "How should we do this?" I said, "Why don't you get an appraiser, and I'll get an appraiser, and then if they can't agree, then they can select a third one and let that--." He said, "Wonderful."

Well, he called me about three days later and said, "You know, our two appraisers have gotten in a hell of a fight. They're in an argument over the value." [laughter] I said, "Well, what are their figures?" He told me. I said, "Well, they're not that far enough apart. I'll be glad to pay you your appraiser's figure."

He said, "No, I will not, but I will split the difference." So that settled it. [laughs]

So we then got the--there were two outstanding architects there. The one who leaned a bit on the modern side is the one Pat selected. He had a reputation for getting in an argument with everyone he'd designed a house for, including some of our friends.

He and Pat just got along beautifully from there on, and the result was, on this half-acre, we had this lovely home.

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LaBerge: How long did it take to build the house?

Peterson: Oh, this Japanese partnership did half the work themselves. They built it in about six, seven months. This included some very interesting rock walls and barricades, and landings. And incidentally, the kind of rock walls with the rocks fitted so perfectly that no cement was needed. Oh, it was beautiful.

Social Life

Peterson: The life there was something really very special. There was something--the warmth of the people, you gradually were drawn in to groups and circles as such. You of course had formal occasions or community gatherings for dinner with programs, or dinner dancing in the Royal [Hawaiian].

Then, on the other hand, you had these small gatherings of dinner parties in homes. They were usually maybe five or six couples, nothing big, but many people that you knew well and intimately. And of course, there was always a trio or foursome of Hawaiian musicians there, so that either before dinner or after dinner you sat out in the garden, or a little of both, with their lovely music. These were all little native combos.

[This social life could be fairly active during the week. Thanks to the heritage from the war period, these were fairly early evenings. Hence, with an early cocktail hour and with dinner underway no later than eight o'clock, with the bridge game after dinner optional, we could be home by ten or ten-thirty. This also fitted Pat's health problem nicely.

So, the result was that Saturday and Sunday were ours unless there was something pretty important. Weekends we were usually by ourselves up on our shelf swimming and relaxing. By the time we had our supper we would get Ed Sullivan on the radio. [laughs] So on balance it was pretty relaxed.

LaBerge: Because you were so busy in your job.

Peterson: Yes, but even that had a measure of relaxation about it. It was such a joint venture throughout that there was no stress.

Having enjoyed all this hospitality for one and a half years or so, it was our turn for a measure of reciprocity. It

so happened that our son, Price, and his new bride were about to visit. So, we decided this would give us a reason to have a little gathering and try to catch up. However, the list was long enough that we felt we better make it a combination reception and buffet supper on the generous patio we had running out to the swimming pool and into the garden. This provided us space for this kind of relaxed gathering. However, as I have mentioned earlier, being up on the hillside of course provided limited parking.

At the bottom of our hill was a high school with plenty of parking space around it. So we got together a bus that could shuttle people back and forth and suggested to our guests that they make use of it, leaving their cars at the bottom of the hill. As it turned out, this worked out very well and the bus ride itself seemed to provide our guests with an extra visit on their way up to our home. This arrangement provided enough conversation around that it reached the press. Hence, an enterprising reporter had managed to collaborate about the party with one of my assistants at the bank. Between them they wound up with not only congenial remarks about the party, but even a touch of poetry into the news report. Naturally, the poetry provided various amusing descriptions of the bus full of people being shuttled up and down the hill. As I recall, it concluded with some colorful comments about the overflow of bottles and two or three people left behind up on the hill.]¹

LaBerge: So this was published in the newspaper, this little poem?

Peterson: Oh, yes. The poem was in the newspaper, with just a brief description of the occasion. But it was fun.

I might say the Japanese and the Chinese kept their own social groups. We were all together whenever there was a community problem. Everyone that was concerned was there. But it was interesting to me that even though a lot of these Chinese and Japanese were more American than I was, they all had their own social functions. We were quite conscious of it, because the Chinese once a year used to have a very formal delightful dinner and ball, and time and again we were invited. There would only be about two or three other Anglo-Saxon couples there.

To some extent, it happened with the Japanese, but it wasn't nearly as formal.

¹Bracketed material added by Mr. Peterson during the editing process.

Diversifying the Board of Directors and the "Big Five"

LaBerge: Didn't you bring on your board--?

Peterson: Yes.

LaBerge: You diversified your board.

Peterson: About the second year, Judge Mashaja Maramota of the Supreme Court of Hawaii had retired, so I put it up to the board, could we bring him on? We had a vacancy. They agreed, and I invited him, and he went on.

So with that, of course I had known Hung Wo Ching, who was a young but very active and successful businessman in Hawaii. He, among other things, owned Aloha Airlines, which was the number two local airline there. He had the background of Harvard graduate school. Again, thanks to the appointment of the judge, the board very enthusiastically said, "Well, the very next time we get an opening, let's put Hung Wo on."

It was interesting to me, because historically, there had never been anything but Anglo-Saxons on the boards of the Big Five, or the utility, or any one of the dozen or fifteen big companies there. From there on, it started. We set a precedent.

LaBerge: What were the Big Five?

Peterson: The Big Five were originally the five big sugar growing and processing groups. Alexander & Baldwin was on Maui with sugar and pineapple, and then they gradually broadened out. They became the biggest stockholder of the Matson Lines, and bought the Matson Lines eventually.

The Castle and Cooke I've already referred to. They were probably, along with the Alexander & Baldwin, the two oldest of the five. They of course, their biggest thing was Hawaiian Pineapple Company, and sugar of course. In other words, they had that one island that's now become such a famous resort next to Maui. That was entirely their pineapples, as well as a portion on one of the other islands.

American Factors [AMFAC] had a few sugar plantations with mills. As I recall, however, they also were major wholesalers largely in hardware products and also some food products. They even built and owned one of the newer hotels on Maui.

C. Brewer & Company, Ltd. pretty much confined themselves to the sugar business. Likewise, Theo H. Davies & Company were primarily in the sugar business but they roamed a bit. My recollection is that they had some holdings in the Philippines as well, but managed from their headquarters in Hawaii.

And so our active, interesting and most enjoyable agenda continued throughout the late fifties. Together we were able to enjoy life around us to the fullest. Most important, Pat was spared any real discomfort.

Loss of Pat

Peterson: She did have many new smaller tumors but, fortunately, they were quite shallow. The nurses told me that on one occasion when she came in with two or three small tumors to be removed, they complained they had not seen her for a while. Her response was that she thought that it would be "cheaper by the dozen."

However, in May of 1960, she had to be hospitalized and it was obvious the situation had become quite serious. So after her hospitalization, I sent for the children. They had been with us a week or more when we finally lost her.

Fortunately, Linnea, my daughter, and Lee, my daughter-in-law, were able to stay on. My son and son-in-law, after a week or so, had to return to the mainland. As you can imagine, the thoughtfulness and consolation from our new friends in Hawaii was beyond anything I could have imagined. Interestingly, several of our friends called my attention to the near full capacity attendance in the Cathedral of the Episcopal Church at her funeral. Another condolence note pointed out that the cross-section of nationalities was beyond anything he had ever seen in the Cathedral.

Despite the forewarnings of repeated tumors for the past four years, the loss of Pat was so final. It was still a real shock.

Our thirty-two years of married life together had been such a complete joint venture. Our varied activities in various parts of the world had called for many decisions. Patricia was an invaluable part of each decision. If the prospects of the move looked interesting and venturesome, she was always encouraging despite the problems of family moves and other adjustments. She turned the new settings into adventures for

the children as well. Her thoughtful counsel and ever-present support had meant so much to all of us.

LaBerge: Should we stop there?

Peterson: Yes, I think we should stop.

XI GENERAL MANAGER OF BANK OF AMERICA, 1961-1963

Conversation with Clark Beise, 1961

[Interview 7: July 26, 1993]###

LaBerge: When we last finished, we finished your career with the Bank of Hawaii, but we didn't talk about how you--

Peterson: How I got away?

LaBerge: How you were invited back, right. [laughter]

Peterson: Early in 1961, Mr. Beise called me on the telephone. He wondered when I would be visiting, and I was due there in a month or so on a trip. He said, "That's just fine, I'd like to talk with you when you get back here."

So, in due course, I came back to San Francisco. We sat down and had a long visit. After all, I had been gone from the Bank of America for some fifteen years. While two-thirds of that was in Transamerica, there was very limited crossover in terms of--I knew generally what they were doing, but not in terms of internal structure and activities. And of course, the last five years in Hawaii I'd been busy so that my discussions had been very limited with the bank, and I had a lot of catching up to do.

So we reviewed that, and he explained that he and the board would like to have me come back and rejoin the bank organization. He gave me some very interesting developments that had taken place that looked like at least it would be a full-time job. And, Mr. Beise, with his low-key approach, left me with the impression that what he had in mind was coming back as an executive vice president, for example. Also, he did not say it but I knew that Jesse Tapp, who was the chairman of the

board, would retire in two and a half to three years from then, and maybe he had in mind that I would take Jesse Tapp's place, which was the number-two job, though he didn't say that specifically.

So when it was over, I suggested--I had to go to southern California and would be back in a few days, and that would give me ample time to think it over. So I came back at the end of the visit and explained to him that I thought it would be a challenging assignment. However, I questioned whether, with the variety of relationships and environment I'd enjoyed in Hawaii, that I necessarily would want to come. In passing, I said, "Of course, if it was to get ready to succeed you, that might be a different story."

He said, "That's what I've been talking about!" I said, "You haven't been very definitive about it." [laughter] So we went on from there, and when we were through, I said well, I would not make a decision now.

Approval from Bank of Hawaii Board

Peterson: Because of my relationship with the executive committee of the Bank of Hawaii, I felt I wanted to leave the decision up to them. The experience they had provided and the interesting five years I'd had, they had made that all possible. So I felt they should have a say as well.

For example, when I had been in Hawaii a couple of years, I proposed to the board that I thought that we could have succession ready to manage the Bank of Hawaii in the course of five or six years, which would mean that I would be ready to cross into my sixties. I said I wanted to stay there, but I felt there were things I could do to occupy part of my time, and this was a very pleasant place to have half your time at leisure. So I wondered if I could officially retire on a half-time basis, maybe succeed Walter Dillingham as chairman of the board. But of course, during this latter period, I'd be on a reduced compensation and that sort of thing.

And my gosh, before I could turn around, the next thing I knew there was a resolution before the board to arrange everything I'd mentioned. That was typical of that group, and I couldn't just walk out and say, "Gee, I've found a better job." So Clark understood it.

So I returned to the bank [of Hawaii], and at the next meeting of the executive committee, I brought this up. The responses were kind of interesting. Walter Dillingham, who of course was chairman of the executive committee just as he was chairman of the board, his immediate response was, "Rudy, you can't even--why are you asking us? This is the number one bank in the world, they're offering you the number one job in banking. You've got to take it; that's all."

Walter Cameron, who was head of Alexander and Baldwin in those days, and the gentleman who had been over here to recruit me, he agreed. I understood it with him because Fran Cameron and Claire Giannini had gone to school together, and they were old friends. And, as he put it, "Well, if the Gianninis were here, I'm sure they would want you to go." [laughter] So that was it. Ralph Johnson, who was head of the electric utility over there, he of course agreed. He had come the same way step by step, starting out as an electrical engineer.

And then it got to Judge Stedman, who of course had always been interested in the bank. He was married into the Cooke family, and he was their elder statesman. After all the male Cookes had died, the widows all agreed the judge should kind of keep track of the Cooke interests in Hawaii. So he said, "Well, you know, I don't know anything about banking, but now I've had quite a few years in the lawyers' world, and we have a kind of a top-notch place known as the U.S. Supreme Court. You know, so many of these men I've known who've been appropriate candidates announced that that's the last place they would ever go, but I've never found a damn one of them that didn't jump at it the moment they were invited. So I think you'd better do the same thing."

[Following the executive committee's decision that I should accept the Bank of America assignment, the next order of business was the timing of the announcement from both organizations. This was of particular interest to the Bank of America board because the annual gathering of the American Bankers' Association was holding their convention within a few weeks in San Francisco. It was agreed that both banks should make the announcement the same day and that the Bank of America would like to make theirs the week of this convention. Hence, the Bank of Hawaii board called a special board meeting the same day of the regular monthly meeting of the Bank of America board and each released the news simultaneously. While I was not present, I was told the announcement stirred up some lively discussions.]

In the meantime, we had, of course, discussed the problem of my successor in the executive committee. While everyone agreed that we had the potential management team already in the institution, the consensus was that it was a bit premature. Hence, it would be advisable to identify someone from the outside to step in for a temporary interval of two or three years.

As we looked over the scene, two seemingly outstanding candidates appeared available. One was the executive vice president and number two who was just retiring from Seattle First National Bank. Prior to his successful ten years there, I was completely familiar with his excellent record of managing one of the outstanding banks in Wyoming. The second was a senior officer who was getting ready to retire at the Bank of America. Because Julian Davis had been one of our outstanding managers in southern California, some years earlier he had been brought up to headquarters in San Francisco to supervise our major corporate relationships. After what I thought was proper consideration, I recommended that he be selected. The executive committee and subsequently, the board of directors, went along with that recommendation.

This turned out to be one of my major booboos. Because of my past associations with the Bank of America, I failed to check carefully behind the scenes. My queries had been too casual. In the very recent years, his job performance had apparently tapered off, which more diligent research on my part would have uncovered. As it turned out, he died from a tragic accident within the first year. In turn, the board of directors decided to move ahead with the young management team we had discussed. So, despite my negligence, the bank in due course was on its way again.]]¹

President-in-training

Peterson: So it was agreed that I should report December 1, 1961, here. But in any event, Clark Beise and I sat down and had an extensive discussion of trying to catch up. He very carefully brought me up to date on major moves they'd made people-wise, changes they'd made structurally in the bank, and generally the objectives that they had currently on deck that they were working on.

¹Bracketed material added by Mr. Peterson during the editing process.

However, along with it, he made it very clear that he wanted me to proceed, to kind of take my time and catch up on the changes so I could feel comfortable. However, by the same token, as I moved along in reeducating myself, he also made it very clear he wished I would be on the lookout for changes that I might like to make, and if so, come to him with them, whether they were changes of personnel, changes in structure, or possibly changes in objectives or policy. But, as he emphasized, take my time, he was not trying to rush me. But as it turned out, it was obvious he wanted me to get ready to run the bank, although he wasn't due to retire for another year and a half.

Well, he reemphasized that very nicely a few months later. Out of the blue, he had the board pass a resolution and create a new job, and the job was that I was general manager of the bank. So he said, "Now you don't even need to come and tell me before you want to make changes. Just go ahead and run this show." Which of course was ideal, because he gave me the responsibility of doing what I, in my judgment, thought should be done, and get a year's head start. He knew, of course, that directions between the two of us had never varied very much. We incidentally both came to the bank within six months of each other in 1936. He was the chief bank examiner for the controller's office out here in California. So A. P. Giannini hired him for a different reason than myself. He wanted somebody mature to help Mario look over the bank.

LaBerge: Had your responsibilities at the Bank of Hawaii given you a fair amount of preparation, I would think?

Peterson: More than I realized.

LaBerge: I realize it's a lot smaller.

Peterson: I've been pretty lucky. I had been getting preparation all along the way. After all, my five years as chief executive officer of Allied Building Credits, with all its problems to start with, and forty-six branches scattered all over the United States with these housing projects, was a pretty good start also.

But the Bank of Hawaii was ideal because in many ways, that bank was a kind of small version of the Bank of America. Geography-wise, for example, it was a fraction of the bank, but as I've mentioned to you, we covered a tremendous area--half the Pacific Ocean, along with our islands. And the need for systems of control and management, even though it's not so big, when it's that scattered has something in common with what you had in

the biggest bank in the country. And possibly most of all was that the board of directors left it entirely up to me if I was willing to assume the responsibility. They never interfered in any way, and that was what you had to have in a bank as big as this.

Well, in the meantime, naturally I was getting to know the various senior people throughout the bank. It was important to get to know what their responsibilities were and how they were going about them, and in the process look for what might be done. No structure is ever that perfect that you might not find gaps available, and particularly when you had as much time as I had. In the process of doing this, I found there were relatively few gaps. Clark was always agreeable, or he'd have some counter suggestions, and between us, we'd come up with some thoughts, both as to personalities, as to structure, and as to responsibility.

A Few Personnel Changes

Peterson: In that process, naturally I visited with many of the senior officials, and ironically, my first suggestions were with a couple of my closest friends. Vern Richards was in charge of the national division, so-called. He had been at this for many, many years. As a matter of fact, he was there before I left fifteen years earlier.

But what had really happened was, of course, after the war, with the growth of established business and the growth of new firms, the lending end of the Bank of America had been not only very busy but had grown tremendously. And the result was that the senior people on that end had pretty much taken over the relationship with big corporations. The national division was really kind of a sales organization to keep in touch with our corporate customers. But our corporate customers had, with their expansion plans and increased borrowing, been in closer contact with our lending people, and as a result the role of the national division had relatively diminished somewhat.

Well, it was obvious to me that Vern had been bored to some extent, and secondly he hadn't had a raise for years. In the meantime, I found that our traveler's check business throughout the world had not grown as fast as I thought it should have. American Express was of course number one, but we had been runners-up. With my eye on the international side anyway, our increased potential out there I thought was very interesting.

So one of my recommendations, which Clark agreed upon, was that we make Vern head of traveler's checks. I didn't tell Clark that had I told Vern that, "If you'll do the job I think you can do, I'll give you a \$10,000 raise in six months." [laughter] That was about a 30 percent increase on his salary. Well, I gave him this \$10,000 raise in six months. He just did an outstanding job and was on his way.

My second friend who I picked on for the same reason, but a somewhat different slant, was Roland Duncan. He was in charge of marketing, and he had been with the bank since 1920. So in his forty-odd years, he'd covered a good deal of ground, mostly as branch manager in various places. Clark had put him in charge of marketing after I left and it just was not his cup of tea.

Well, I thought he was ready for retirement anyway, although he still had two or three years agewise to go, but would like to relax a bit. After some discussion, he agreed with me. I found I could arrange his setup so that he wasn't penalized on retirement income. Incidentally, his wife never did forgive me. She, years later, did speak to me, but that was about all. She thought I was maneuvering to get him out. I don't know to what extent he admitted to her that he had agreed that he'd like to retire.

Fortunately, at the time, I had a very interesting young man who had been head of the number three bank in Houston, Texas, and his board had just sold their bank to the number one. I'm sure they were anxious to get Bill McLean. But of course, he would have been in the second layer. I think he kind of liked the idea of California anyway. So I thought he was available, and having run the number three and youngest bank very successfully, I felt that he unquestionably would have a good sense of marketing and that general type of activity. It turned out he did, and did an outstanding job, which meant that he stepped into Duncan's shoes, and we carried on from there.

LaBerge: When you came on as general manager, were there senior people at the Bank of America who felt that you were an interloper, or don't you even know that?

Peterson: Yes, I do. That was kind of interesting, because there was one in particular who--our general counsel came to me. I knew that he was Carl Wente's choice, and Carl Wente was the retired president after we lost Mario. He was there on a kind of interim basis. He never did get in the wine business with his two brothers, but joined A. P. back in the early days. I knew that he was in favor of Sam Stewart.

But I will say for Sam, the moment it was announced, Sam came in and pointed out that while he would have liked to have had the job, he understood perfectly why the board had selected me. He later became my administrative chief, in other words, the kind of number two on the administration side. But there was never any feeling of resentment that I could detect.

LaBerge: Well, I don't think anything has been written about it either.

Peterson: No. Well, I don't think there was any basis, because it was a very congenial setup from the start.

LaBerge: So you made those changes with two of your friends.

Peterson: Two of my friends, and some others were made that were less conspicuous but turned out to be quite constructive. In the process of doing this, I naturally was thinking about when this would all be in my lap. So that brought me to one of my closest friends and associates from earlier bank days.

Bob Syer

Peterson: My successor in Allied Building Credits was Bob Syer. He also had been one of my colleagues in 1936 in the bank, and he had left the bank to go into the service. When he came out of the service in '45, he and two other young men purchased a long-established, very old, distributing business in Los Angeles. He, of course, had lived there for many years. This was now the headquarters of ABC, so I got to visit with him.

In the process, I found after a couple of years they had been doing very well; it was a business that was well established but no great potential. So I finally convinced Bob that sooner or later, with three of them at the top, that it might be a little crowded. He said, "We already have indications; we're talking about who it shall be to go first." I said, "Well, I know who I'd like to have go first, and here's what I have in mind. I'd like to have you come over to ABC as my assistant." In due course, he had arranged it so he did come over.

Of course, we had worked closely enough together--he was part of that initiation of consumer credit--only he was in southern California; before the war I'd seen a great deal of him and seen what he could do. I think the best testimonial I had

was when he'd been there about a year, year and a half, and I went to the board and suggested they elect him executive vice president, which would be the number two job. But I said, "If you don't want to, it isn't that important, because the employees have all already elected him a number two." Bob was the one they turned to if I wasn't there. So he stepped into my shoes as president when I left.

I had tried the same thing in Hawaii with Willy Cannon, who was manager of one of our branches on Maui, a young, imaginative, active man in his early forties. The result was that I was looking about a bit because I realized there was a lot I had to learn, and particularly in a scattered area as to how the people feel and what their thoughts were. So I wanted an assistant as much of a personnel man as anything else, but who would keep me informed. It made a nice promotion for him to come in, and as I've indicated earlier, he was the one I wanted to take over from me and did, and very successfully.

Frank Young

Peterson: Now that I had this tremendous giant on my hands, I needed that kind of person more than ever. Needless to say, I spent my first year or so looking around a bit. I came to the conclusion that Frank Young, who had been for some years head of personnel, would be my assistant. Prior to that he'd been secretary to the bank. He was the key credit supervisor when we set up Timeplan in the middle thirties. But he'd been in the bank the previous twenty-odd years, through all the various channels, because he was a very intelligent person. And of course, even before he was head of personnel, it was very obvious that he was the best-liked man in that bank. He was an outstanding listener, his basis of management was teamwork entirely, and morale-wise and forthright-wise in every way.

So as far as I was concerned, I felt, and have always felt, that yes, the people I was associated with and around day-to-day, fine. It was up to me to recognize the double talk or the flattery or whatever, and if they were unhappy, to recognize that. But what I needed in an institution this size was to get the feeling of morale and whatever from the bottom up, and this was why I wanted somebody like Young.

LaBerge: Did he become your head of personnel, or was he already?

Peterson: He was already head of personnel. But I couldn't confine him to that, because I wanted him to be available to collaborate with the merits of restructure, of new kinds of activity in the bank, selection of people--fine. He could have done that at the personnel level. But I needed something even more. I needed someone who was completely up-to-date with all the activities of the bank, and as you gather on that score, he was well ahead of me with the background that he'd had continuously there for forty-odd years.

But most of all, his job was to keep me informed of what was going on, and to tell me what the problems were, to tell me what I was doing wrong and what I needed to change. I wanted somebody who was completely objective to the point that he'd criticize me just as quickly as anyone else. And he filled that role beautifully. Fortunately, he only retired less than a year before I did. [laughter]

Incidentally, as you gather, I feel that whatever success we had, that he contributed as much as I did to it. I wonder if here--I have a description of Frank because he was such an unusual person, and was so well known throughout the bank, that I'd like to quote it.

LaBerge: Fine.

Peterson: This is in 1962. He was asked to write a plaque in memory of A. P. Giannini when we built the A. P. Giannini Bank in San Mateo. This plaque describes Frank just as much as it does A. P. Giannini, and so if it is appropriate, I'd like to make it part of the record.

LaBerge: Fine, let's do that.

Peterson: [reading] "He marshalled the small resources of the many and made them available for the common good. He tempered his judgment with faith in man's integrity, and proved that this was justified. He found satisfaction for his own ambitions in the achievements of those he helped. He changed the pace of banking by emphasizing its obligation to serve." And those, I think, are as much the beliefs of Frank Young as they ever were of A. P.

LaBerge: So what title did he have?

Peterson: Assistant to the president. It should have been "Assistant President."

LaBerge: Okay. And he continued to do the personnel work, too?

Peterson: Oh, no. His assistant was made chief of personnel when he came over to help me.

Meeting Barbara Lindsay

Peterson: [However, Frank's greatest contribution to my career was quite unofficial. As I have indicated, Pat's and my friendship with the Youngs went back to the thirties and became thoroughly social during the war years. Both families lived in the Mills College area. With the restrictions of the war years, gas rationing and two small children, neighbors became increasingly important and our occasional Sunday evenings with the Youngs became something very special.

Later on, Frank and Ruth built a new home out in Walnut Creek. In due course, apparently the same kind of relationship developed with Barbara and Sandy Lindsay that we had enjoyed. Years later, Barbara unfortunately lost Sandy at about the same time I lost Pat. So, following my return here we wound up together at dinner gatherings at the Youngs' home.

By the fall of 1962, we had agreed to make our visits together more permanent. Having each been through the ceremonies of a wedding, we agreed we did not need a second set of festivities. However, we did want a gathering with our children present for the occasion. With them scattered over the country in various colleges ranging from students to faculty members, it was obvious we could only get them all together at Christmastime. So, on Christmas Day of 1962, we had a delightful wedding in Barbara's home with her four children and my Linnea and Price, plus a son-in-law whom Linnea had known from their Stanford days together.

The following morning we set sail for a honeymoon in Arizona with all our seven offspring. Their ages ranged from nine to twenty-nine. When we arrived at this delightful resort, our host proceeded to house the children around the swimming pool and Barbara and myself out in a lovely cottage on the golf course. We have since been told that this resort never booked conventions until after the Petersons' visit. In any event it was a hilarious and highly successful honeymoon.

By this time I was fully involved in management within the bank and scheduled shortly to take full CEO responsibility. Hence, the agenda was already quite heavy with meetings and

social gatherings in various parts of the world. Many of these called for Barbara's participation and some considerable travel.

For example, one of the early occasions was the American Bankers' Annual Convention in Chicago. Bank of America, being the number one bank, was always scheduled to host an appropriate reception. Barbara, of course, joined me in the reception line. In due course, one of my thoughtful colleagues stepped up and reminded me that Barbara had already shaken some 2,500 hands and would it not be time for a short reprieve.

This kind of typified the schedule of gracious support she provided for the many occasions throughout the sixties. While the seventies were not a lapse from all this, they did provide a lighter schedule. In any event, Barbara's support, participation, and enthusiasm were always present and meant so much to me. How could anyone be so fortunate to successively inherit two such charming and active full-time partners.]¹

Inheriting a Restructured Bank

LaBerge: What a lovely tribute.

Did you make many changes when you became president?

Peterson: That's a good question. Actually, the Bank of America, like many other successful institutions, in its early stages was a one-man show. I've often used the comparison of Paul Hoffman with the United Nations Development Program during his ten years. You cannot promote something and at the same time cover all the basic restructuring you need. You have to be willing to take a calculated risk to keep the thing moving along, and also, if you keep it moving along, it's going to need more structure than it did in its early days.

Mario, who took over in 1936, started that structuring. Mario, despite his illness, was available most of the time. He was a student of business to the point of being a scholar, and as a result had given it more study than A. P. ever had time for. A. P. was out doing things constantly.

So, it was only on its way when Mario died. Carl Wente was an interim [president] of two years, and then came Clark Beise,

¹Bracketed material added by Mr. Peterson during the editing process.



Two families combined, 1961. Back row: Price, Anne Lindsay, Linnea, Steve (holding first grandchild, Leslie), and Bob Lindsay. Front row: Marnie, Barbara, and Lorna.

who was the ideal man. So in answer to your question, I was inheriting a domestic operation of the Bank of America that, in the best sense of the word, had a completely modern structure. It was sophisticated and it had arrived, and there was very little that I needed to do. And of course, that intrigued me, because the international was sitting there waiting in the wings, and I'll get to that a little bit later.

Uniform Signs and New Logo. 1963-1964

Peterson: Well, if I may move on to another area--

LaBerge: Absolutely.

Peterson: Well, first in my process of getting around visiting the organization and getting acquainted with it, I of course had spent a good deal of time out in the branches. There, I found a physical element that was obvious to most anyone: our identification.

On our branches, we had signs in Old English; we had signs in just plain printing; some of these signs were vertical, some were horizontal, and some were a little in between. We were one Bank of America and needed to have one form of identification.

Again, Carl Wente's delightful sense of humor, he said, "What are you making all this fuss about with signs?" I said, "Well Carl, we are one bank. We're one institution, we ought to look like it." He said, "Well, all those signs, I know they were all different, but they were all in English. And if people can't read English, maybe we don't want them as customers." [laughter]

Our logo had always been the Portsmouth. It was one of our earliest ships in San Francisco. Its anchorage here happened to match the location of our first bank office in the Clay-Montgomery Street area. Of course, between these two bits of history a good bit of dirt had been filled in on this entire area. While we did not make a survey, the consensus seemed to be that few people would know the significance of the Portsmouth name. However, there were enough old-timers around to produce quite a discussion on this subject.

We all felt that Landor Associates had done a good job in arriving at a uniform and attractive insignia to identify our branches. Hence, we asked them to give us their idea of a new

logo. They came up with five suggestions. We all sat in on this selection and finally agreed on four or five examples. Then they went into the market itself and came up with a substantial margin in favor of our present logo. Subsequently, this has gone to our stationery, checks, and other business forms, including, of course, BankAmericard.

LaBerge: Yes. What year was this that you did that?

Peterson: I did this about 1964.

LaBerge: And was it always red, white, and blue?

Peterson: Yes. It's never been changed.

The Bank Credit Card

Peterson: Well, now I wanted to go to a couple of the areas where we really made history. Thanks to Mr. Beise's foresight in both instances--he was the one who innovated the ideas and got them started at about the time I arrived. Both of them gathered such momentum that I devoted a good deal of my time to this the first year or so.

The first was the bank credit card. That had had a rather interesting history. At the beginning of the fifties, several banks had gone into the credit card business. The most prominent one was the Franklin Bank in New York. By 1953, they were practically all out of the business.

So about 1954 or '55, Clark Beise still felt, apparently, that this was an appropriate and interesting role for banks. It was, of course, by the standards of those of us in consumer credit very much a part of that activity. It had always been in department stores and the merchants themselves, never handled by a third party, until this series of failures. So as a result, the bank had a couple of appropriate people visit some fifty-five banks who had been in the credit card business and gone out of it. Here, their purpose was to find out for us what was wrong with it, why didn't it fit.

They found that all the banks who had been in it were relatively moderate-sized local banks. There was not enough potential volume. What I'm sure concerned Mr. Beise and the rest of us would be, was there something inherent in that type

of business that a bank can't handle, that a merchant can handle better himself? And the answer to that was negative.

So with that, the next two or three years were spent here studying techniques, how to handle small items such as that efficiently, and with appropriate control through the merchant. You obviously couldn't--it was through the merchants you were acquiring this. You could not pre-approve as you did other types of loans.

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Peterson: By 1958, our people here felt that they had as many answers as they could get from study. So we went down to Fresno, and for the better part of a year, we proceeded to, in the Fresno area, solicit and extend credit cards to customers in that area, and solicit the participation of the merchants in that area. The results were such that in 1959 we went statewide. And remember, at this point, there had been a five or six year vacuum after the earlier failures, so we were pretty lonesome all by ourselves out there, and it was up to us to make the history, if we were going to make it.

And we did it in a rather substantial way. By 1961, we had recovered the \$5 million that we had spent in research on establishing the credit card. Two years later, from 35,000 merchants, we had \$111 million in paper. Five years later, by 1968, we had quadrupled that into \$400 million of sales from over twice as many merchants, 77,000 merchants.

BankAmericard Becomes National

Peterson: Incidentally, and of course very much of interest to me, was in the middle of this, in May of 1966, we had decided that the credit card business was now sufficiently active with other major banks that we went national. It was naturally the increase of the area during the last half of that period that helped quadruple the volume of business.

But there was one other factor which I was very proud of. In the meantime, our friend Vern Richards that I talked about earlier had so successfully built the traveler's check business that our people decided that he's the one that should head up this new national subsidiary we had, which we called BankAmericard Service Corporation, and, as you can see, he again turned around and did quite a job. So he justified my

confidence manyfold. So I was glad I found him here when I got back.

LaBerge: How did you go about going national if you didn't have, for instance, a Bank of America branch in Chicago or--?

Peterson: In other words, what we did, we extended the BankAmericard name and trade to be used by banks, and we sent the people in to help establish it. Then they paid us a percentage of the service charge they collected, because we in turn applied our concept of merchandising and marketing into their area, in their market. So it was another way of--it could have been a royalty, if you want to call it that. But we made our organization available to them. But the BankAmericard, of course, was the card that was identified with \$400 million worth of sales.

LaBerge: When did it become VISA?

Peterson: VISA was well into the seventies. It was in the late seventies that some of the banks said, "We'd like to do this on our own." As a matter of fact, the first thing we did was, at the wish of some of the other banks, we said, "This doesn't have to be our subsidiary." So we set up the VISA organization to replace this. We hired management. As a matter of fact, I think we may have supplied part of the early management nationwide. We used the VISA name, and we retained a 22 percent interest in this new corporation. Then later on, we sold the interest. That's way into the eighties, later on.

But the point was that with the results I've indicated, we proved to the banking industry here that this was a good business. Within four or five years, they were actively in it, so that our counsel felt that we could go beyond the state of California. And incidentally, in 1968 I mentioned some figures. At that time, we were active in forty-two states, and in seven foreign countries.

Computerized Banking under Clark Beise

Peterson: Well, now I'd like to turn to Mr. Beise's second innovation with which we had the privilege of making history. I'm not sure that this came entirely out of Mr. Beise's ingenuity and imagination, because we of course, during and after the war, were having a more desperate time with our tremendous growth in getting people to run these bookkeeping machines. The growing volume of detail we had through this branch system was tremendous. So certainly,

70 or 80 percent was Mr. Beise's persistence and innovation, but I think maybe 20 or 30 percent might have been desperation. Our turnover was awful, and running these bookkeeping machines was not only complicated, but once you learned it, it was so monotonous. If you understood English and could sit up straight, we'd probably hire you. [laughter]

Well, Clark Beise recognized this in 1950. So he went to the Stanford Research Institute [SRI]. By that time, of course, there were computers, and the electronics were arriving on the scene. He suggested to them that he'd like to have them make a study of what could be done electronically. He had gone to Tom Watson of IBM [International Business Machines] prior to that. IBM said, "No, you're not ready for it. We're not that far along, and there wouldn't be enough market for it in any event."

So, SRI went ahead with this study. [tape interruption]

It was about this time that we had a brilliant young man who had joined us some years earlier out of high school, by the name of Al Zipf. Mr. Beise thought he saw some possibilities there, so while Stanford Research was doing their work, he sent Al Zipf down to UCLA, who were giving a course in engineering, and in two and a half to three years, Al Zipf got his degree in electronics engineering and came back. We'll have to give him part of the credit with Mr. Beise of building this up. He retired a few years ago. He, in the Harvard Report, has been used--in other words, our professors there have collaborated with him constantly in their research. [tape interruption]

By 1958, Stanford Research Institute had--or it might have been 1957--had reached the point where they had a system which we approved, and recommended, by which we could move in and start our recording of our millions of transactions. They also had prescribed the type of electronic computers that would be necessary to do this work. Once again, Clark Beise went to Tom Watson and said, "This is the way it should be done, and this is the kind of equipment that should do it. What do you think?" Tom Watson said, "It's too bad, you're premature. The equipment can be built, and I'm not questioning that we can do it, but there wouldn't be enough demand to make it worth our while."

So with that, we went to General Electric. We went to several, as a matter of fact, and General Electric were the ones who said, "Yes, we'd like to do it." The result was that they proceeded to manufacture the equipment, and we proceeded to set ourselves up to use the "Erma," which was the name we gave this machine, ERMA--Electronic Recording Method of Accounting.

We decided that to take care of our branch systems with all their millions of records, we would need thirteen ERMA centers, and in those centers, we would need thirty-six computers. These we set up, and by 1962, we were really setting records. Al Zipf's estimate was that if we hadn't had these ERMA centers in 1962, we would have needed 3,500 more employees than we had at that time. And incidentally, that doesn't mean we fired 3,500 employees; we just stopped hiring, because the turnover was such. And this obviously was a very gradual process between, let's say, '59 and '62, that it didn't all appear at once.

Incidentally, I should point out that it was made the more legitimate in banking circles because the research had developed the concept that what one would need was the use of magnetic ink characters here. The result was the American Bankers' Association accepted that verdict to the point that they recognized that would be the common machine language for automatic check processing. So that made us legitimate nationwide in every way, and that this was the official type of check recognition, and of course, every other recognition that was used on the computer. So here again was another important milestone.

To give you some idea of what this turned into, for instance, as we were the largest residential real estate loan organization at that time in the United States in financing home mortgages. We had the biggest portfolio of anyone, so this was an important part of our record keeping. Manually, you could process twenty loans per hour--manually. The cost per 1,000 loans was \$380. By 1961, we were far enough along so that with all this equipment, we now could process 40,000 loans per hour, and the cost per 1,000 loans was \$101. In other words, we had reduced the cost by two-thirds. In 1963, two years later, as we had perfected the ERMA activity, so we could process 70,000 loans per hour, and the cost was down from \$101 to \$84 per 1,000 loans.

About this time, Tom Watson, Mr. Watson, got ahold of Al Zipf and said, "We missed the boat once, we're not going to do it a second time. We have a new computer which we feel will fit into your pattern." They had tested it far enough with our kinds of records so that he suggested that we could close eleven of our thirteen ERMA centers. We could have one in Los Angeles and one in San Francisco with two computers, four 650-50 computers, to not only replace our thirty-two computers, but could double the capacity. And it turned out, typically Tom Watson, he was reasonably conservative, because it turned out those four computers almost tripled our capacity.

We established, over the next year and a half, centers in Los Angeles and San Francisco, and the one in San Francisco has now for some time been out at Concord, and it is doing most of the activity statewide. And if I may go back to our real estate loan statistics, by 1966, with these four computers, among all the rest of the bank's records, we could process 230,000 loans per hour, versus 40,000 in '61--this is in five years--and the cost was down from \$101, which was then off two-thirds from the manual process, now to \$67.

Just prior to that, in 1962 we had added Timeplan loans, which of course, outside of checks, was millions of entries a month with our consumer credit. Then a little later on, we added all the credit cards. And so there is a good deal, I think, for Professor James L. Kenney of Harvard to write about. He's been at it for several years. I think we can say that the bank made a pretty sizeable bit of history between 1950 and 1975, in that field.

LaBerge: When did other banks start going to computers?

Peterson: Generally, they weren't in it until the seventies, but I would say in the late sixties, the big banks were starting. Professor Kenney has been collaborating, even though Al Zipf's retired, right up to now. About 1975 was when everybody matured, so to speak.

LaBerge: Did IBM make most of those computers, or did General Electric keep making--

Peterson: No, General Electric did not keep making them.

LaBerge: They only made your first two.

Peterson: They made thirty-six for us, and then we made the computer available for some other banks. I don't think there were too many.

LaBerge: How are we doing timewise?

Peterson: It's three-thirty. Well, I'll give you one more. [tape interruption]

LaBerge: Can I ask you one more question on that? Did this just develop into the ATM [Automated Teller Machines] machines? Was that kind of an outgrowth of all of the computerized banking?

Peterson: The ATM came after my day. So I can't be very helpful on it. They just grew up, they were interesting and useful, and of

course have grown tremendously since. Actually, Tom Clausen was here when that was getting underway in the late seventies.

Attending Meetings in Mr. Beise's Place

Peterson: Well, another thing that made my life so interesting and easier to take on was Clark Beise's insistence that, from day one after my return, I either would take his place or accompany him at any sort of a professional meeting here in the United States.

But possibly even more important was that his doctor preferred that he not travel overseas, and frankly, that was why the international program was on hold. Our men had done some preliminary work and by 1960, we had one branch in South America, four branches in Japan, one other branch in Asia, and two branches in Europe, and that was our whole international structure. It was just embryonic.

So however, obviously our presence in the world was sufficient, and our intention obvious enough that we were invited to every type of international meeting. And from the start, he insisted these be my meetings.

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Peterson: By the end of the first year, I was quite at home with what was going on, at least from a banking standpoint, in many parts of the world.

Well, that brought about an interesting invitation. Early in the sixties, the reaction had started, in the United States, over the heavy flow of Japanese exports, and the unhappiness was, of course, obvious to the Japanese themselves. The government officials had become quite concerned, and they felt that in the interest of a better understanding with the industrial and business community, it might be wise to get some of the leaders from both countries together. As a result, about 1962, the government had asked Mr. Iwasa, who was chairman of the largest bank in Japan, if he would get together fifteen business leaders in Japan. In turn, the government communicated with their consulates in key cities throughout the United States and asked them to arrange to invite some fifteen or twenty local business leaders from that part of the United States for a day's meeting, which of course the consulate would host.

The first meeting that was held was in Pebble Beach, and Mr. Beise was of course among the fifteen from California, Oregon, and Washington, invited to attend, and again he asked me to take his place. So we sat in with a full day of discussion, including lunch, and it was quite interesting. It was primarily to get to know each other and become acquainted. We obviously did not discuss the problems that were developing as we might have liked to, but at least I think both we in U.S. and the Japanese had gotten a start toward understanding and further discussion.

Following Pebble Beach in 1964, these fifteen gentlemen had meetings in Dallas, Chicago, New York, Atlanta, and St. Louis. And in each instance, business leaders from that part of the country were invited in.

The Japan-California Association

Peterson: When they got back to Japan, they were so pleased and impressed with the results of these gatherings that they asked Mr. Iwasa if he couldn't arrange something without government sponsorship. However, they obviously could not travel all over the United States, but could he get fifteen or twenty of the business leaders on the Pacific Coast together? And once a year, we would spend a couple of days together. We'd alternate between Japan and here.

As they pointed out, this also from their standpoint meant that if they knew a few business leaders here, then when they came over here on other business, they could visit with a couple of us, and bring themselves up to date as to what was going on. Iwasa thought so well of it that he called me and asked me if I would see if I could find fifteen or twenty men on the Pacific Coast, business leaders who would be willing to devote two or three days to this sort of a gathering. I assured him that I didn't need to wait to invite them; I could assure him we would have them.

Well, needless to say, I made fifteen calls and had fifteen members. So the result was that we met in 1965 in Kiwana, in Japan, a beautiful kind of country-club type of place right on the ocean with a lovely golf course, and the agenda we established for that three-day meeting continued to be pretty much the agenda from then on. Mr. Iwasa obviously was one of the co-chairmen, and I was elected the other. The Japanese were

very generous about bringing along four or five of their economists and scholars to participate.

The first afternoon would be a general session. Out of this would develop some areas that merited more intensive discussion. These subjects would be assigned to each of the smaller sections of our group that would meet the following morning. The final morning provided a second general session with full discussion and review of the areas we had heretofore found of particular interest.

Intervening afternoons provided an opportunity for golf games or visits sitting out on the veranda. Either one gave us a chance to get to know each other better. Each evening, of course, we were joined with our wives for dinner as well as luncheon with those wives who were not out sightseeing.

LaBerge: What other business people did you ask from the United States?

Peterson: [laughs] Well, the first thing, I asked the three leading bankers of California. I was very interested, because Mr. Iwasa only let in one other banker. [laughter] Then typical of men you've heard of would be Steve Bechtel, Don Russell, Charles Ducommun, Roy Ash, and Gene [Eugene] Trefethen, and of course, the head of Weyerhaeuser, Norton Clapp from Seattle, and so forth.

LaBerge: Did this group have a name?

Peterson: Yes, Japan-California Association. At first we called it Japan-California Kai. We tried to give it a little Japanese flair, but it became the Association later.

Well, we alternated between Japan and the United States each year, and this is still going on, by the way. Nineteen sixty-five was our first meeting, and it was interesting, the openness. It took a couple of meetings to get there. I think it was the third meeting that I suggested that it might be interesting to discuss the feasibility of private partnerships between Japanese and Americans in some Asian ventures.

Well, Ed Littlefield, along with a number of the others, had their reservations. They didn't think we were ready for that. However, Ransom Cooke of Wells Fargo and two or three others, they felt yes, let's try it. After all, we can back away if it's a problem. So we didn't discuss it in open session, but we assigned that to one of our smaller sections.

So I asked Ed Littlefield to attend this particular section. Pretty soon he came walking in with a wide grin on his face. He said, "Do you know what they're discussing? Our Japanese friends there are pointing out to the Americans that this is very worthwhile, but you've got to be careful because we have some aggressive guys who cannot be trusted." They were warning their American friends about these bad Japanese they had in the business community. [laughter]

Some years later at a gathering in Pebble Beach during a general session, the restrictions on the sale of American products in Japan came up for discussion. It was give-and-take wonderfully. Nobody's temper was lost, but some voices were slightly raised for emphasis from time to time. And this was going back and forth pretty lively. Finally, Gene Trefethen of Kaiser Industries spoke up, addressing the Japanese. Gene said, "Well, we have been fortunate in our experience because we've been on both sides of this fence. We produce and sell you iron ore from Australia. We buy from you from other sources for activities in other places. So that we're buying from you and we're selling to you. We can understand how these differences would develop, so I'm not going to take an issue except to make one suggestion to you." And naturally, by this time, they were listening very intently.

"Don't push quite so hard! Ease up!" [laughter] But that was the sort of thing that went on regularly.

Such differences were increasingly discussed during my period of the sixties. I can remember some very distinct differences of opinion and some lively debate, but I can't remember of anyone ever losing his temper. And by this time, of course, we were in the complications of electronics. They were matching us with the various things in electronics, all the way through the automobile problem and the rest. But I feel that--and my Japanese friends all feel--that this group contributed something to easing the tenseness from year to year.

When this group was first organized, Secretary of the Treasury Henry Fowler called me. He said, "We know that this is a private enterprise and private discussion. But to the extent that you feel that it would contribute to our understanding, we would be very grateful, and this includes the president. The extent that you would give us your reaction to the discussions you've had in your group would be helpful." It's still going. They ought to be having a thirtieth anniversary. I've been invited at least every ten years.

Suit Concerning Credit Card Rates, 1970s to 1993

[Interview 8: July 28, 1993]##

LaBerge: I had a couple of questions. One, we were talking about BankAmericard, and there was something we didn't discuss. I'd read about some question of licensing that to other banks, and either your general counsel giving you certain advice--

Peterson: Yes, you're right. Because we were, after this dry spell, the first major bank really to go into this. Our general counsel would not let us license or help other banks. They felt that there had to be active competition available before we worked with other banks.

As a matter of fact, our attorney's contention was that that competition should be fairly active and underway. We got ourselves well underway, as I mentioned, at the beginning of the sixties. It was really the middle of the sixties, I think '65 or '66, before the other banks were sufficiently established to provide competition without question.

LaBerge: Was there a law against it, or was it--?

Peterson: No, it's not what you do, it's what you appear to do. If you proceed to help set up other banks in the business and be reimbursed for your service, or license them, which means that they're sharing in the cost of doing this, the implication is you're doing that just to corner it all. So that it won't be free and open competition. As a matter of fact, we waited until the famous combination was formed here in California between Crocker, Wells Fargo, and Interstate Bank. You may recall or have read that a major suit later was brought against those three banks, plus Bank of America.

Incidentally, the department stores had always charged 1 and 1/2 percent a month for the balance due, except in some states, laws had been passed that reduced that to 1 and 1/4 percent per month. However, to the best of my knowledge, I can't remember when that wasn't the standard rate. Inasmuch as this was new to us, we naturally maintained the same rate.

LaBerge: Is this the suit that is still going on?

Peterson: [Yes. Shortly after I returned to Bank of America, Wells Fargo, Crocker, United California Bank (later to become First Interstate Bank of California), and Security Pacific were collaborating on the possibility of a joint competitive venture

which in due course materialized into what is known as the Master Charge card. In 1986 four law offices (Lawrence John Appel; Hoberg, Finger, Brown, Cox and Molligan; Post, Kirby Noonan and Sweat; and John G. Appel), collected a group of individual "plaintiffs" and brought legal action against these three institutions plus the Bank of America. However, by 1986 Security Pacific Bank no longer issued the charge card so they were not involved in the lawsuit.

The gist of the complaint was that all four banks had collaborated to minimize the normal competitive factors that should be involved. For example, VISA and Master Charge by these banks carried pretty much the same costs to the customer. Incidentally, this cost was understandably the same cost to the customers that major retailing firms had maintained for many years.

Understandably, a bank would normally start off at the established rate of those firms until they themselves would have sufficient experience to measure their own costs and profits at more competitive rates. However, the purpose of this legal action was, of course, to emphasize the collaboration as the banks' anti-competitive measure.

Apparently, in view of the collaboration that had taken place between these three institutions they finally agreed to negotiate settlement with the plaintiffs. The net of all this was that Interstate settled for approximately \$11.5 million and Wells Fargo on behalf of themselves and Crocker settled for approximately \$35.5 million.

Bank of America, in turn, refused to settle because they just had not been involved in any way with either collaborating or setting up the Master Charge program. We were already well along with the very successful VISA program and had carefully not negotiated in any way with any banks anywhere. As a result, in 1986 the above firm brought suit for \$2.8 billion against the Bank of America. This past year it was ready for a full jury trial in the superior court in San Francisco. Understandably, the principal witnesses for our bank were Ken Larkin who managed the VISA activity during the sixties, and the writer. Naturally extensive discussion and appropriate depositions were taken earlier. By the latter part of 1993, Ken Larkin, over several weeks, spent a goodly portion of his time in hearings. Over a period of weeks he and his associates were called to testify. They, in turn, pointed out that their time had been fully occupied with a very aggressive competitive program of building this business during the sixties period. These hearings, of

course, produced evidence, which as it turned out, conclusively established that there had been no collaboration of any kind.

Toward the end of this period, I was called in for only one day, but a very full one, of some six to eight hours of testimony. Fortunately, the tenor of the questioning was such that it opened the door for a discussion of the bank's established policy of cooperation with other banks, largely throughout the western U.S. Such efforts to be helpful naturally had made it necessary for us to establish specific limitations on this practice to exclude the possibility of any non-competitive elements to enter activity or its relationship. This answer became very important in facing various pieces of evidence that the plaintiff attorneys produced which indicated that we had, from time to time, met with senior members of other banks.

It all ended up with an eleven-to-one vote for dismissal by the twelve-man jury versus the nine votes that were required. Likewise, the judge passed on his own ruling which gave added support to the jury's verdict. The jury's verdict was really in effect unanimous. The one negative vote in the twelve-man jury apparently was a result of misunderstanding.

The indications are that the case will be appealed to the appellate court in what is a rather usual legal maneuver. But, everyone agrees it will be without consequence. Once again, I am sure that the bank's historical background and performance also contributed a very considerable measure of support for our testimony and the court's verdict.]¹

LaBerge: At that time, did American Express have its credit card out?

Peterson: Oh, yes, for several years.

LaBerge: Because I know you said that that was the main competitor as far as traveler's checks went.

Peterson: That's right. And that reminds me that we were indebted to Time Magazine to learn that we were, back in the early sixties, number two in traveler's checks. They wrote an article on the history of traveler's checks and their use. They pointed out that American Express was number one, and that First National Citibank was number two, and gave the outstanding and the volume of First National Citibank, and that we were number three. But

¹Bracketed material added by Mr. Peterson during the editing process.

thanks to the figures presented, we learned that we were actually number two, by quite a sizeable margin.

Personnel Loss During the Fifties

LaBerge: Those were my only follow-up questions, so if you want to go on with the international side, or something else you have in mind today.

Peterson: No, I have a couple of things that happened while I was in these early stages before I was completely a legitimate CEO.

LaBerge: Okay.

Peterson: In the process of orienting myself with both the management people and the activities of the bank, I learned something about a problem that developed before I'd returned. In the sixties, the U.S. had a new comptroller of the currency, Mr. [James Joseph] Saxon, who became a very aggressive and competent comptroller. However, he also came to the conclusion that in states like California, where you had two or three large institutions that handled a majority of the banking business, they needed more competition.

So he started a campaign of licensing small banks, new banks, in various areas, but California was one of his principal sites of activity. As these new ventures got underway and were looking for talent, they naturally propositioned some of the outstanding young talent we had in the Bank of America. My predecessor, when he came in, felt properly there was a real need to step up a very intensive training program for future officers of the bank.

First, we'd had a war of several years, with limited possibilities of training young men. Second, the young men that were now available were four to five years more mature than they would have been, thanks to the interval of the war. Their three or four years experience in the war and being anxious to catch up made them very interesting potential candidates for such intensive training. Therefore, Mr. Beise set up such a training program at the beginning of the fifties.

Naturally, as this group of men moved along, by the late fifties and early sixties, with anywhere from maybe seven to ten years' experience, they were an interesting group. With this

type of training and on-the-job practical experience, they would look very interesting to a young bank starting from scratch.

LaBerge: Was the training in-house?

Peterson: In-house. In other words, they were our employees, and we were getting them ready, because they were potential branch managers and senior lending officers. They were carefully hand-picked, because of the postwar supply, and the interesting possibilities.

As these new banks were being formed, naturally a young man with eight or nine years' experience would be worth more salary for the time being to a new bank than in an established career program. So we had lost an inordinate number, not because of any neglect in the bank, but it was just that a situation developed that made this sizeable group of men very attractive to new ventures of all types.

LaBerge: Well, they had lost you, too, to Hawaii!

Peterson: Well, I was an old man, though, by that time. [laughter] I wasn't interesting as a prospect particularly.

Wooing Back the Best

Peterson: So I decided that I should commit sacrilege, at least under the Giannini regime--and incidentally, I had committed sacrilege of this score once before and been called to task, so I knew about it. I suggested that we check and find out who were the fifteen or twenty best men that we'd lost. And then we should find out who was their closest friend in the bank. With that, we asked that close friend to sit down and explain to our lost young potential vice president that, if he became disappointed or in any way was interested in returning to the Bank of America, don't come in the alley entrance; the front door was wide open.

At least seven or eight came back. They all did very well, moved along, to the point that by the late seventies, two out of those seven or eight who came back were vice chairmen of the bank. One was Al Rice, who was vice chairman and in charge of what we called world banking--the relationships with major corporations throughout the world.

And Arthur Toupin, who incidentally it took me almost three years to get back here, he ran our trust department. In the

late seventies he was made vice chairman and the senior administrative officer of the bank. So this turned out fairly well.

It gave us an opportunity to fill the ranks, which was needed, with our expansion in the late sixties in the international field. In other words, not that these men became involved on the international side, but they filled the gaps as we took out experienced men for international.

Stock Options

Peterson: Then there was a second activity [in 1965] which--well, let me put it another way. I brought with me from the Bank of Hawaii an experience with stock options that had been very fruitful. As a matter of fact, we in the Bank of Hawaii in the middle fifties were the second bank in the United States to extend stock options to key people in the institution [1957]. The California Bank, under the management of Frank King, was where I got the inspiration, because they were the first.

My inducement at the Bank of Hawaii was the fact that they had, in 1955 when I arrived, about--oh, I'd say fifteen outstanding young men who pretty much paralleled the type that I've just talked about in the Bank of America that we'd lost. They were still there, and I didn't want to lose them. When I learned about the procedure, which had been forbidden in earlier days in banks, under which we could extend stock options to these fifteen or twenty key people, who were so important, I thought it was a good way to keep them there. Obviously, with the expansion of activity in Hawaii by this time, and new ventures, there was always the possibility of the same temptations as happened to the young men in B of A, not because of other banks, but other types of interesting activity. The result was that I was very proud when I left. We had not lost a single one of these outstanding young men.

In the meantime, their estates were rather well underway, because the value of the bank stock which they could buy any time after eight or ten years, had about trebled during those years, so that they had a down payment on their future estate.

LaBerge: Did you have to present that to a committee and have them vote on it?

Peterson: Oh, it had to go before the board. Yes, that had to be a board action.

Personnel for International Expansion

LaBerge: Where did you find the other personnel you needed for the expansion into the international realm?

Peterson: An excellent question.

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Peterson: There was a rather prominent gentleman by the name of [President] Sukarno who was directing things in Indonesia. He had decided that he wanted to get rid of the Dutch. So at the same time, he decided especially he wanted to get rid of the Dutch bankers. Fortunately for us, the Dutch bankers in a couple of the banks there were young Dutchmen who had been brought over years before and trained. They were outstanding; we managed in the Bank of America to recruit a collection of them. They became the nucleus to our international section when we got it underway in the early sixties.

As a matter of fact, I decided at that time that instead of trying to hire people away from First National City and Chase and Morgan, and obviously get the secondhand ones, we would take a chance on stepped up training our own young people into international banking. We already had in addition to these Dutchmen a nucleus of young men who were, you might say, handling more the routine work of reviewing loans and such here, so they were familiar with it. Under normal circumstances, they would not have been ready to take over a branch in a foreign country. However, by strategically placing these experienced Dutchmen at the right place, we could make them available for these young men who were by themselves. For example, our manager in Bangkok [Thailand] was a very experienced international banker. Our couple of managers in Singapore and in Malaysia and the surrounding couple countries around them were not. Naturally, our man in Bangkok had to run our oldest bank in Asia, so it was well established, and Thailand is a big country, so the result was, we had a sizeable operation.

So we made an agreement with these younger men that they would not receive supervision from Bangkok; however, our experienced banker in Bangkok would be available if they felt they had a problem or needed to ask any questions. They could

come to see him, or he would come to them. So we kept our management intact in Bangkok, which we needed then, and at the same time we had a source of advice or help available for those in the surrounding countries. We did that particularly in Asia. In Europe, we didn't have as much of a problem, for reasons I'll explain later.

As time moved on and our local manager talent increased, we were able to assign the senior advisory managers to full-time regional management responsibility. Hence, this not only provided full-time supervision of all local managers, but also increased flexibility in supplying personnel.

LaBerge: Did you do a lot of traveling to check up on all those places, or did you have other people to do that?

Peterson: I did. Thanks to the constructive work that Mr. Beise had done during his ten years in building the domestic organization, it needed a minimum of supervision. The result was I spent, after this initial stage I've just outlined, much of the time out in the field. This reached a point where at one stage the board asked if I really needed to be away that much; I tried to explain that I had grown up with hands-on management, and I was not very good from a mahogany desk a thousand miles away from the scene of action.



Rudolph Peterson and others meeting with President John F. Kennedy prior to planned visits with political leaders of Europe for Time magazine. Meeting took place on November 2, 1963, just twenty days before President Kennedy's assassination.

XII TIME MAGAZINE TRIP, NOVEMBER 1963

Member of the Group

Peterson: Well, there were a couple of very educational experiences during these early stages, before I was completely absorbed by this international program that I thought we might talk about.

LaBerge: Good.

Peterson: Actually, in the latter part of 1963, Time Magazine decided that they would like to collect a group of [American] business leaders and have them visit with both political and business leaders in several countries of Europe. They actually invited twenty-one of us in this group in the latter part of 1963. Two of them were scholars, one was the president of Williams [College], and the other was an ex-president of Trinity College in Hartford.

LaBerge: Do you have their names?

Peterson: Yes.¹ Two of them were scholars. One was John Sawyer, president of Williams College in Massachusetts, and the other was Keith Funston, of Trinity College in Hartford, [Connecticut]. Keith had now had dual capacity because at the moment he was president of the New York Stock Exchange, having retired from his academic activities. The other nineteen were various CEOs from major corporations throughout the United States. I'm not sure why, but it so happened that about half of us were Johnny-come-latelys who had just been made chiefs within the ensuing year. Among them was John Harper of Aluminum Company of America; Edgar Bronfman of Seagrams and Sons; Paul

¹See next page.

Austin of Coca-Cola Company; Russell De Young, president of Goodyear.

Maybe it was because we were new on the scene, they decided we would be the more curious. The chairman of the board of Time was with us part of the trip, and the president was with us continuously. They would be kind of the monitors, and we would have to conduct the interviews with various leaders throughout Europe.

LaBerge: Who was the chairman of Time?

Peterson: The chairman of Time was Andrew Heiskell, and Jim Linen was the president of Time Magazine.

President [John F.] Kennedy learned of this, and was apparently sufficiently intrigued that he had called Andrew Heiskell and asked if he could meet with us before we took off. So on November 1, 1963, we met with President Kennedy in the White House. Primarily he pointed out that he understood that we might receive information on an off-the-record basis from various interesting people in Europe that possibly could not be passed on, and he left that to our judgment. But the point of the gathering was to explain to us that he would be very grateful--to the extent we could see fit--if some from the group would come back and pass on to him any observations which we thought might be of interest or useful.

Great Britain

Peterson: And with that, we took off two days later from New York, and our first stop was London. In the ensuing two days, we met with the prime minister [Sir Alec Douglas-Home], and with two or three of his cabinet members in separate meetings, and the discussions were very interesting. We also were scheduled to meet with individual and groups of business leaders in Great Britain. This, over the two days, consisted of not only meetings per se but also meetings combined with lunches and dinners during this period.

This was a kind of interesting time, because to some extent with the political people, but particularly with the business leaders, naturally this group had a lot of questions to ask. You will recall that following the Depression, for many years the Labour party was in charge in Great Britain. In an effort to improve the situation, it was decided to have government take

PARTICIPANTS IN THE EUROPEAN NEWS TOUR ARRANGED BY TIME, THE WEEKLY MAGAZINE

November 3 to 14, 1963

- | | |
|---|---|
| 1. John Leland Atwood
President and Chairman of the Board
North American Aviation, Inc. | 11. James P. Lewis
President
The J. P. Lewis Company |
| 2. J. Paul Austin
President and Director
Coca-Cola Company | 12. Norman B. Obbard
Executive Vice President, Int'l
United States Steel Corp. |
| 3. Eugene N. Beesley
President
Eli Lilly Company | 13. Robert Schantz Oelman
President
National Cash Register Co. |
| 4. James H. Binger
President
(Minneapolis) Honeywell Regulator Co. | 14. Rudolph A. Peterson
President
Bank of America N. T. & S. A. |
| 5. Edgar M. Bronfman
President
Joseph E. Seagram & Sons, Inc. | 15. Henry R. Roberts
President
Connecticut General Life Ins. |
| 6. Chauncey W. Cook
President
General Foods Corporation | * 16. Willard F. Rockwell
Chairman of the Board
Rockwell Manufacturing Co. |
| 7. Morgan J. Cramer
President
P. Lorillard Company | 17. John Edward Sawyer
President
Williams College |
| 8. Russell De Young
President
The Goodyear Tire & Rubber Co. | 18. Leo H. Schoenhofen
President & Chief Exec. Officer
Container Corporation of America |
| 9. George Keith Funston
President
New York Stock Exchange | 19. Walter Heber Wheeler, Jr.
Chairman of the Board
Pitney-Bowes, Inc. |
| 10. John D. Harper
President
Aluminum Company of America | 20. Albert L. Williams
President
International Business Machines
Corp. |
| 21. Kendrick R. Wilson, Jr.
Chairman & Chief Exec. Officer
Avco Corporation. | |

* Also Chairman of the Board
Rockwell Standard Corp.

over a number of the industries, particularly coal, steel, and the utility industries. So there was quite a broad cross-section of the industry in Great Britain owned by the government. With all these entrepreneurs that we had in our party, naturally there was a lot of discussion on the merits of both sides. This wasn't a case of argument as much as questions from our side and observations from theirs, and of course their questions to us of some of the problems we were having, because all was not exactly booming. You will recall that later in the sixties, under Prime Minister Mrs. [Margaret] Thatcher, the scene changed quite dramatically.

But in any event, they were an interesting two days and evenings. Certainly they were very educational from our standpoint. Some of us had not spent a great deal of time in Europe, and of course, with my potential interest in our international activities, this was a real treat.

The USSR and Nikita Khrushchev

Peterson: Our next stop was Moscow. Time had chartered a French airliner from the regular French airline. Time had communicated with Mr. [Premier Nikita] Khrushchev, but we had received no word from him and no response of any kind from anyone in the USSR. However, as long as we had chartered the bus, we decided we might as well go and see. So the evening of the second day, we flew on to Moscow. When we landed in Moscow, there was a message waiting for us from Mr. Khrushchev that he would like to see us in the Kremlin the next morning.

So we were there bright and early at the proper time. Jim Linen, the president of Time, warned us as we were waiting at the door to be ushered in, that we might well be back out in fifteen minutes. After all, there had been no acknowledgement, and there was no indication that we would have a very extensive discussion.

We came out three and a half hours later. This was not because Mr. Khrushchev was through; we were exhausted from asking about everything we could possibly think of. And needless to say, we had had a fascinating meeting with the chairman.

LaBerge: Did he speak English, or was there an interpreter?

Peterson: He did not speak English. There was an interpreter; but he obviously understood English, because if the question we asked was sufficiently interesting, he didn't bother to wait for the translation; he just proceeded to answer it. [laughter] But we naturally discussed and exchanged ideas on the political structure and the political situation. The test ban treaty had encouraged a good deal of discussion between the East and the West as to the importance of exchanging ideas. In that spirit we were continuing discussions that were going on between various countries in the world, particularly the East versus the West, in terms of political philosophy.

We asked about the military and the political structure and some of the measures he had in mind. We were all impressed with the candor with which he answered our questions, as if there were really no military secrets. Specifically as an example, Lee Atwood--who was the only other member from the West; he was president of North American Aircraft--asked a couple of questions of Mr. Khrushchev about some of the developments with their aircraft in the military. I can't remember exactly what it was, and I probably didn't understand it in any event, but Lee told us afterwards this was information the U.S. had never had and wondered about. But he gave him the answer; it was technical information about some developments they had in their air force.

Then when it came, of course, to the business structure under a government setup, there was a lot of discussion pro and con. Someone remembered that [founder of Bolshevism Vladimir] Lenin had pointed out that capitalism would destroy itself, so we had quite a discussion on that subject, and wondered if he didn't think that Mr. Lenin might have been a bit wrong on that score. At the beginning of the sixties, capitalism was doing reasonably well, both in Europe and the United States, and he agreed with us. That of course led us to the idea, well then, why can't we continue side by side. Here again was room for lots of pros and cons. I will admit that Mr. Khrushchev was more confident than some of us were, but be that as it may, it provided room for a lot of open discussion.

Again, when it came to East-West trade, how should it be developed, and couldn't it be increased materially? Here again it used up a good part of the three and a half hours, because Mr. Khrushchev had his own ideas as well. And they were understandable from his point of view, but by that, he also was surprisingly open-minded as to what our thoughts were and questioned us at some length. It was a real experience for all of us.

I must say that when we were through, now in reflection, he was the first [President Mikhail] Gorbachev. There was a good deal of what he had to say that we've heard in recent years from Gorbachev and the new group. I guess that is why within a year afterwards, he was, as you know, removed and sent out to the country to retire.

LaBerge: Just on this subject, you must have some thoughts on the ruble situation right now.

Peterson: I don't have as many thoughts as I should have, because I'm not in a position where I'm familiar with the problems, how bad the ratios are out of line, to what extent inflation has taken over and distorted the balances that are needed.

Well, we had told him, of course, that we were so glad to be there, and we had timed this to participate in their Fourth of July. The next day we were scheduled to spend the first half of the day with their parade. He was quite interested in that, so he pointed out that in the afternoon, he was having a regular reception that apparently was an annual event. This would be the ambassadors of various countries and an official reception, and would we come. And of course, we assured him we would.

So the next day, we were on deck for the parade. They had arranged for us to have very choice seats in the big square where we had a full view of the parade as it came by. It was a real parade. I don't know that I've ever seen so much military might in three or four hours. And of course, there were interludes here and there of music, but mostly you were impressed by the amount of steel and armor that you saw in massive quantities.

LaBerge: Not like the Piedmont Fourth of July parade?

Peterson: No. [laughter] No, I'm afraid not.

Well, in the afternoon we all went to the reception in the Kremlin. This was a big party with refreshments and all the trimmings, obviously the ambassadors from at least the major countries, and I presume other officialdom. I don't think we had been there over fifteen minutes until a young lady came by and said Mr. Khrushchev would like to have us join him in the hosts' center at one end, where he and Mrs. Khrushchev and the principal members of his cabinet were gathered.

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LaBerge: You were talking with Mrs. Khrushchev.

Peterson: Yes, and she [laughs]--she was a delightful lady, cordial, not any social butterfly by any means, but a thoroughly warm, cordial housewife. We enjoyed it. And of course, Khrushchev and his ministers with a translator moved around from group to group. So we had a couple hours' delightful visit with the group in the circle, including, of course, the chairman himself.

So the result was that, as we were ready to leave, Jim Linen asked me to come with him, and we walked over to Khrushchev and said, "We are having a little reception this evening in appreciation for all the people that have been so gracious and nice to us, and if you could possibly come by, we would love to have you."

"What time?" "Seven o'clock." At seven on the dot, he and the president of the USSR were there. Jim, very thoughtfully, after our greetings, sat them over in a comfortable side away from the group who were there, and then a couple of us would go and sit down with Chairman Khrushchev and his president for a short visit.

First Edgar Bronfman of Seagrams and I were the two that were escorted over to sit down and join with him. Well, Khrushchev immediately took off on me, because I was the only banker there, and so he of course had had fun, giving me a bad time over interest rates. Were they legitimate, and did we have a right to charge people that kind of margin between what money costs us and so forth. Oh, he was having a wonderful time.

So the result was that we got into a rather serious discussion, and the first thing I knew, it was obvious that he had ignored Edgar. So I said, "Now, Mr. Chairman, this Edgar Bronfman here has just taken over the--he's the head of the finest whiskey firm we have in Canada and the U.S. They make the best whiskey." Khrushchev promptly said, "Yes, but you make lousy vodka."

Edgar said, "Yes, we don't make very good vodka, but you understand that we can't import it from here, because we'd have to sell you the whiskey, and your people don't drink whiskey."

The chairman thought a bit and said, "I'll take care of that." [laughter] And with that, he and Edgar began exchanging ideas, and we had a delightful visit. And of course the president [Leonid Brezhnev] with him, who was secondary, but he joined in. Other visits continued until--I'd say that he was there for a good couple of hours. About nine o'clock he left. And of course, said goodbye and thanks to everybody, and couldn't have been more gracious.

LaBerge: Shall we end there, and next time start with the next leg of the trip?

Peterson: [consulting notes] See where we are on this--. Yes, well, that's practically the end. A sentence or two is all.

LaBerge: Yes. Well, next time we'll continue because you went on from Moscow to France.

Peterson: From Moscow we went to Berlin, from Berlin to Bonn, from Bonn to Brussels, from Brussels to Paris.

LaBerge: Well, we need to hear the end of that next time.

Berlin and Bonn, West Germany

[Interview 9: August 4, 1993]##

LaBerge: We stopped last time when you had just finished, I think, your last reception in Russia.

Peterson: Yes. Following this very exciting and lively visit in the USSR, our next stop was Berlin. There our hosts were really the American military, who, along with the British and French military, were maintaining the Allied jurisdiction over West Berlin. The new boundary between Russian-controlled Germany was some distance from West Berlin. However, the USSR apparently felt that the presence of Allied military within West Berlin had not been part of the agreement. Hence, they had established the blockade.

LaBerge: For future research for people who are reading this, could you say something about the blockade?

Peterson: Your point is well taken. As a result of the dispute over the military, the USSR military had blockaded all entries on the ground into West Berlin for transport of people, food, or supplies of any kind. As a result, all these had to come in by air from the Allied territory.

Chairman Khrushchev had explained the rationale as a temporary measure. They had tried repeatedly to meet with the U.S. military to arrive at some sort of settlement, but had been ignored. The story we heard from our military was quite to the

contrary. It was quite in contrast with the openness of give and take that Mr. Khrushchev talked about. Later on, the publisher of Time magazine and I had an opportunity to compare notes and had to agree that Mr. Khrushchev's explanation turned out to be the more accurate.

The Berlin interlude was a relatively short stay, because of the limited audience that was there, in terms of our interests. However, we did have a very interesting half-day in East Berlin. They took us through that entire area. It was cleaned up, had been kept orderly, but nothing new had been done. You had a feeling it was semi-abandoned. The buildings that were destroyed, the rubbish and such, had been hauled away. On the other hand, you didn't see any evidence that anything had been built in the ensuing several years. It was just standing there as it was left, with a reasonable amount of activity, but again, the activity was pretty much at a minimum for that type of community.

LaBerge: Did you meet with any of the government leaders?

Peterson: You see, the German leaders were in Bonn. Berlin is no longer the capital, and that's where we're going next; and that was exciting.

We flew on to Bonn one Sunday afternoon, and that evening, we were the guests of the minister of economics, Ludwig Erhard. He later, of course, became the chancellor of Germany. But in the meantime, he had been the man who had directed this transition from Hitler's military setup to a completely active, free, and open German economy. He, of course, pointed out that the Marshall Plan and the American effort to help and not interfere had been a big factor. From our questioning, it was also obvious that it was a very relaxed and open political situation. In other words, the new German government was just as committed to developing this into a free economy as we were. You had a feeling that from the various ventures that the minister outlined to us, that there was real encouragement for entrepreneurship all the way through. In other words, let's get the job done with a minimum of interference. There were, of course, reasonable measures of proper discipline, but not--they hadn't had time to build up a core of restrictions and technicalities and such.

So I think one has to agree that here, in a minimum space of time, was a remarkable economy. To Minister Ludwig Erhard, we'd have to make him the man of the year. It was his outstanding leadership that had much to do with all this.

The other half of that story we got the next day at lunch, and to our morning give-and-take meeting with the chancellor himself, Chancellor [Konrad] Adenauer. He supplemented, as far as the economy was concerned, what we had heard from Mr. Erhard. It was obvious that the political organization under his direction had encouraged Mr. Erhard and his colleagues' efforts to develop the economical side of the show. From our questioning, it was very apparent that Chancellor Adenauer was very anxious to keep the political interference to a minimum, to have the political activities and restraints limited to essentials, and it was just as politically open and free--as open and free on the political side as it had been on the economic.

Needless to say, both these gentlemen were most impressive, and along with it, relaxed and open in not only answering our questions, but asking a few. They were interested in what we were going to do to control inflation in U.S.A., and a number of other questions that I don't think we fully answered. [laughs] And maybe we haven't as yet. But it was a stay of a day and a half that was a highlight in a trip such as this.

Brussels and the Common Market

Peterson: We then moved on to Brussels, where we had another developing institution underway which we have subsequently learned to call the Common Market. We were the guests again there of the officials of the organization. This provided a fascinating visit, of course. It was all new. They did not know the answers, but they were a collection of thoughtful men who were committed to see if they couldn't set up a constructive setup with appropriate avenues and understandings between the countries of Europe, to facilitate the exchange of goods and business throughout the Continent.

History has proven that they were fully as capable as they appeared to be, and as thoughtful. The Common Market, of course, is the answer to much of the progress of Europe in the recent times.

LaBerge: Who was the leader at that time of the Common Market?

Peterson: That was Jean Monnet, and I'll have more to say about him later, because we're spending an evening with him in Paris. But it was his concept in the first place, and he of course was counseling and available and collaborating, though he was not attempting to

run it. There was an organization set up of very thoughtful, as I said, of obviously men with the appropriate backgrounds to structure it and get it underway.

Paris and Jean Monnet

Peterson: So with a relatively short stop there, we moved on to Paris. This was the Paris "of old" and a delightful place to be for a visit, whether you're hosted or not, and we were extremely well hosted.

We had a rather formal visit with Mr. [President Charles] de Gaulle. He answered our questions and had a few of his own. It was a give-and-take visit, rather formal, so we did not come away with any unusual discoveries as such. However, that was followed with a long luncheon session with Prime Minister Georges Pompidou. France also, of course, had their postwar problems. Everyone there was also very grateful for the helping hand of the Marshall Plan. Their economy was on its way back to normal. They carried on in rather orthodox French style; they didn't move quite as fast as Mr. Erhard had moved over in Germany, but they were getting there bit by bit. They were interested--I think particularly interested in what was happening in the rest of Europe, particularly Great Britain and Germany, and southern Europe. There was a lot of discussion pro and con on the exchange of goods and trade between the countries. No doubt this was somewhat a follow-up of our visit in Brussels, so--and this was an area that they supported, but they of course had very real problems in France, as they still have today. That was their support of the small farmer, and agricultural production and such. [tape interruption] Today, this is the biggest stumbling block in concluding the signing of GATT [General Agreement on Tariffs and Trade].

To conclude, I was much impressed with Mr. Pompidou. He obviously was not only directing his government effectively, but seemed to be very conscious and concerned of what was going on throughout the country.

Well, that evening, we had a real treat, because we were to have dinner with Jean Monnet. He, of course, was the creator of what was to become the Common Market of Europe. It didn't take long to recognize why he was called a sophisticate of Europe. He had, of course, made a tremendous contribution both politically and economically, and made his record in France itself before he started with the Common Market as such.

LaBerge: In all of these discussions, I know you had translators in Russia, but did you also in Germany and France?

Peterson: We needed very few. We talked with a few Germans, but they all spoke good English.

LaBerge: And I wondered too if you speak--I know you speak Swedish, and I thought maybe you speak--

Peterson: No, my German isn't that good. I did speak bad German, yes. Brussels again, these gentlemen who were getting the Common Market underway were worldly, sophisticated men from Great Britain and France and Germany, spoke perfect English. With the president of France, de Gaulle, we had translation there. But Pompidou, no, and of course, Jean Monnet, not at all.

LaBerge: I may have made you lose your train of thought. I think you were going to say something about Jean Monnet.

Peterson: Without question in my mind, the building and the concept, and then the constructive careful planning and building of the Common Market was certainly a milestone in European history. I'd almost call it a mark in the twentieth century of constructive, careful building, among the nations of Europe. When you consider the thoughtfulness and the imagination, and the planning, that had to originate from Jean Monnet's mind in not only conceiving an idea but developing it so carefully and so constructively, it was a remarkable feat. I would say that--

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LaBerge: Okay, you'd put him at the top of the list.

Peterson: I would say Jean Monnet should be pretty close to the top of the list of outstanding world citizens in our twentieth century. I may be a bit prejudiced, because he spent a few years in the United States, and during part of that time was a director of Transamerica and an old friend of A. P. Giannini, so there was a bit of recalling of intimacy and personal visit together too, which probably left me a little prejudiced. But it was a remarkable evening.

LaBerge: What had he done in France before this? Did he hold a position in government?

Peterson: He goes back to the World War I period when he represented France on the Inter-Allied Maritime Commission. From 1919 to 1923, he was secretary general of the League of Nations. At the beginning of World War II, he was Chairman of the Franco-British

Economic Coordination Committee. Also at that time, he was the one who proposed to Winston Churchill the Franco-British Union. When the war was over, he was very much a leader in the reconstruction and rebuilding of the French economy and at the beginning of the fifties, he was appointed the Commissioner General of France's National Planning Board.

Finally, he created the treaty that set up the European Coal and Steel Community [ECSC], which was the first step and key start into today's Common Market.

Well, that evening was a fitting climax--and it was a long, late evening--for our visit in Paris. The next forenoon we met with some of Time's editors and newsmen at their headquarters. Paris was the headquarters of Europe for Time. So there were a lot of questions on our part, and some interesting answers on theirs. It was indeed a give-and-take gathering before we left that afternoon to go back to New York.

LaBerge: So did they then write it up for the next weekly Time publication?

Peterson: No. They stood by. We were the newsmen. They mentioned it, but they didn't feature it. They may have used it for later, but they did not have an article on this trip.

I had a board meeting the coming week, and this was over the weekend, so that I did not stay. However, consistent with President Kennedy's request, President Linen of Time and a small part of the group who could stay the following week met with the president and, I gather, appropriately answered his questions and kind of brought him up to date without going into any complications. But he, as you will recall, had asked us if we saw fit, he would like to get our reactions to the visit. And that was taken care of.

LaBerge: Did any of this influence you then when you were opening banks in the various countries?

Peterson: I don't know that I can identify anything specific. It certainly made me visit various European countries, including these, much more comfortably with this background. However, we were already in London, of course had been for many years, and as we opened in the various other countries, I think Europe was an area most of us in the bank had known a good deal about. The answer to your question is yes, it was helpful, but we had been exposed through our activities earlier to the extent that we felt more at home there than some of the other parts of the world.

XIII PRESIDENT OF BANK OF AMERICA, 1963-1970

The CORE Confrontation

Stockholders' Meeting, January 1964

Peterson: Well, the following week was the board meeting where Mr. Beise stepped out of the scene, and I became the CEO. So from now on, I was alone. It was up to me. I couldn't lean on anyone else or pass the buck, so to speak. Though I had had a marvelous year of working with a free hand, of course, as the general manager of the bank, with Mr. Beise's complete support.

However, when I arrived home, I received interesting news that the Congress of Racial Equality [CORE] had singled out Bank of America for special attention.

LaBerge: This is your first week on the job as CEO?

Peterson: Well, this was what greeted me, yes, at least very early. CORE, as they were called, had decided that we should be the first ones with whom they should sit down and settle to see that we gave proper recognition to minorities on our payroll. We had received word that they would be on their way out to see us. There was a local section of CORE here, and Frank Young, our director of personnel, had been in touch with them two or three times after this word had come that they were particularly interested in the bank. He had made several appointments, and they had never appeared.

In the third week of January, a couple of months later, I was to have my first stockholders' meeting--on January 21, 1964, to be exact. That of course meant that it was up to me to give a report to the stockholders of what had happened in the

previous year, and what was going to happen in the next few years, so that I was pretty much involved with preparing for that vital situation.

We still were holding our stockholders' meetings in the Mark Hopkins Hotel, and so by the time we were ready to open the meeting, the room was practically filled with stockholders. The following year, we moved to the Masonic Auditorium. I mention that because, just as the chairman was going to call it to order, in walked three very handsome black men, six-feet-tall or more, and extremely well groomed. Inasmuch as there were only a few seats left, they were escorted down to the first or second row in the front. It was obvious that they were members of CORE.

I did survive my formal report to the stockholders, probably because I had written it out in fairly complete form. I will admit that, at the same time, I recognized that these men were there for a purpose, and it probably would be well to make it clear that we understood why they were there.

So when the formal report to the stockholders was complete, I tried to relax and off the cuff make it clear to the stockholders what our position had been. I explained to them that we had this notice that CORE was to visit us, and what they had indicated their mission would be. Also that we had unsuccessfully tried to meet with their local representation here. Of course, we for years had been an equal opportunity employer, we had no prejudice as to race or color or creed or ancestry or where you were from. The test was entirely your qualifications to do the job. Of course, this was all pretty well recognized by our stockholders in the audience. Actually, Bank of America had been rather conspicuous in our cross-section of hiring, compared with most larger banks in the country.

In any event, apparently the attempt to be forthright and candid and recite our policy and our motives impressed these gentlemen. When the time came for questions from the stockholders, which of course followed this, there were a lot of questions from the stockholders, and these three gentlemen listened very intently. When the meeting was adjourned, they quietly got up and walked out, to my complete surprise.

A day or two later, they met with Frank Young. Frank not only outlined what we had done historically, and showed them the records, but pointed out that we had wanted to do this with their local group, and they had made appointments and never kept them.

The net of this was, apparently it caught them pretty flat-footed, not only the information we supplied, but the lack of cooperation from their local people. The result was--we had learned by this time that we were to be the first, and were to be scheduled for picketing in our branches. However, a week or ten days went by, and we had no further word. The next we knew, they were picketing the Palace Hotel with quite an assortment of students from the University of California and the University of San Francisco. For three days and three nights, they pretty well blocked the passageways into the hotel. The interesting thing was that the police were conspicuously missing. The result was that their efforts to block guests were reasonably successful.

In the meantime, it turned out meetings were going on between them and representatives of the various hotels here in the Bay Area. Out of that came an agreement with the hotels that they would make specific efforts to get their percentage of minority employees up to 15 percent.

[tape interruption]

LaBerge: So the percentage was going to be 15 percent.

Peterson: For the hotels. The hotels agreed to put forth their best efforts to--and they would not let up until they got to 15 percent.

LaBerge: I assume you already had 15 percent.

Peterson: Well, we didn't assume it.

Open Letter to Fair Employment Activities Commission

LaBerge: No, you didn't, but you had it on the books?

Peterson: No. Legally, we were not supposed to keep track of minorities. So that brought forth the next step. We wrote Mrs. Carmen Warschaw, who was the chairman of the Fair Employment Activities Commission of the state. The commission was a part of the state Department of Industrial Relations. In this open letter, open for obvious reasons, we outlined to her the policy we had maintained for many years, that we were interested in any qualified personnel without regard to race, religious creed, color, national origin, or ancestry. We pointed out that we had always maintained equal opportunity signs not only on the bank's

bulletin boards, but anywhere else where prospective employees would normally visit. We pointed out to her that we had always, in all our publicity that was appropriate, made it clear that we were an equal opportunity employer. We had also labeled this with our classified advertising for new employees. We had run ads for new employees in Negro newspapers, where they were available. And that this all had been general practice, not any recent special effort. It had gone on for many, many years.

This letter was written before the percentage requirement came out. We pointed out to her that we had made a quick count, and that statewide 11 percent of our employees were minority groups, and that in the San Francisco area, we had just short of 16 percent. It was later interesting that CORE's objective with the hotels had been 15 percent.

We also suggested to Ms. Warschaw that we would be happy every ninety days to send her commission a breakdown of our minority percentage in personnel, sectionally, as to the San Francisco area, which of course meant San Francisco, Alameda, and Contra Costa Counties, and the city of Los Angeles. We also would send her a figure every ninety days of the statewide picture. I thought it was rather interesting in the letter, and this was Frank Young's idea, that we did explain to her that our process had not been without problems. We had found that there was a quite high proportion--and remember, this is early sixties, thirty years ago--of minority children who had not finished high school. As a result, we had had a higher percentage who could not even pass the simple clerical test. However, we would continue our best efforts, but under no circumstances would we ever agree to any quota or percentage of any kind.

Apparently the letter must have impressed Mrs. Warschaw, because she in return replied with another open letter, exactly two days later.

LaBerge: Were these published in the major newspapers?

Peterson: They wound up in newspapers. Meantime, the hotel group had settled on this 15 percent, so with this kind of publicity, we had a demand for a press conference in a hurry. It was held in our headquarters here, a press conference with T.V. and everything that could provide public coverage. It was quite a gathering.

I in essence outlined to them briefly what I have just talked about, what our efforts had been, what our position had been policywise, over many years long before anybody ever heard

of equal opportunity policy in employment. Then I turned it over to Frank Young, and he then to the press gave a blow-by-blow account of our efforts, first locally to try to inform them of what this was all about, and then what the discussions had been with the people that had come from headquarters in the East. Then Sam Stewart, our general counsel, outlined briefly what our legal position had been, and the questions came by the score. It was quite a three-hour session there.

When we concluded, I pointed out that under no circumstances were we going to agree to any quota of any kind, but we would try if possible more than ever to make certain that as many of minority young people that were interested would know that they were very welcome to apply. However, employment would be based on their ability to qualify on the same basis as any others.

LaBerge: On that note, I know that the high schools, the senior graduates get Bank of America awards in different subject areas.

Peterson: Yes.

LaBerge: Did you start that?

Peterson: No, I didn't start it. It was underway when I came, and I participated during my ten years.

LaBerge: I wondered if it was kind of an effort to, well, encourage people to finish school, or--.

Peterson: This was started under the Gianninis, and it could have been. It had been back there for quite a long ways. I know it was in Mario's day, I don't know about A. P.'s. I wouldn't be surprised if the bank didn't have immigrants in mind back in the early days, particularly Italian. I came out of one of the immigrant colonies myself.

Apropos of your question, I must point out that Mr. Giannini left all his estate in the Giannini Foundation, and at his request, devoted itself to assist young people in getting an education. The foundation was particularly interested in the boys and girls where the family was having problems, such as widows and other problem situations.

Pickets at San Francisco Branch ##

Peterson: Where were we?

LaBerge: You were, I think, finishing up with the CORE visit.

Peterson: Oh, yes. They had made their verdict on the hotels?

LaBerge: Yes. And you had had a press conference, too. You had the open letter to Mrs. Warschaw and vice versa, her open letter back to you.

Peterson: Well, by the time we had had this press conference, we knew what was happening in the hotels, with no police about. We also knew that we were scheduled within another week or so to have picketing at our first branch. So I called Jack Shelley, who was the mayor of San Francisco, and I explained to him what I visualized, with a lot of young people cluttering up the place. Would there be any police to keep order? We weren't going to expect police to keep protesters away, but to see that they not interfere with the customers.

And he said, well, he didn't know. I said, "You're not sure that you're going to have police there?" He said, "No, I wasn't." So I called Governor [Edmund G.] Brown [Sr.], and repeated this to him, and he said, "If you're satisfied you're not going to have any police, I'll have the National Guard down there." So I said, "Thank you very much," and hung up.

In about an hour, I received a call from Jack Shelley, "You'll have police. They'll be available."

We then worked out an agreement which we followed through with police wherever they next might move. Under no circumstances would they arrest anyone who had not actually interfered and prevented customers from carrying on their business. In other words, if they inconvenienced customers, let's pass that up. The police might ask them to please step aside, but no arrests. And we also agreed that we would have cameras there to take pictures of what took place.

Well, they understandably picked what we called the "day and night branch" for their first Friday evening picketing, which is at Powell and Market. It used to be our headquarters office prior to World War II, and that was the one branch at that time that didn't close at three o'clock. It was open until six-thirty. So it was the logical place for them to start.

LaBerge: And this happened even after your open letter and your discussions?

Peterson: It sure did.

Well, the result was that there must have been--I didn't count them, but there must have been close to 100, mostly students, marching back and forth around the wedge of Powell and Ellis Streets on the walk in front of the bank. But what really concerned me was by about five o'clock, there were twice as many people on the other side of the street, watching this, and you didn't need three guesses to know that eight out of ten were simply indignant. They'd read enough of the press for the last ten days and heard enough, and I was scared to death of violence.

LaBerge: Were you down there?

Peterson: I was there and worried that somebody would stick their foot out and trip somebody, and with that a mob scene even the police couldn't handle.

Well, fortunately it went on without any accident or incident of any kind. But when you had been down there for a couple of hours and listened to the comments made, particularly on the citizens' side of the street, you would have liked to have had a popular vote, if that could have been had.

LaBerge: So were you over there talking with the people, or were you inside the bank?

Peterson: No, I was outside. And more important was that some of our people were doing this systematically, just encouraging them to express themselves, and the verdict was quite evident.

The result was that at six o'clock or six-thirty, we closed everything up, and really the only complaints we had heard were the complaints, "Do all this marching all these hours for \$5?" [laughter] But other than that, they were very orderly.

Well, this then became the pattern for Friday evenings throughout the state gradually moving south.

LaBerge: And just the Bank of America?

Peterson: Oh, yes. Just us. See, they had settled with the hotels, and now we were next. We were supposed to be first, as I've explained.

LaBerge: Was the reasoning because you said you wouldn't accept a quota? Because obviously your records were good. Were they waiting for you to say, "Okay, we'll take a quota"?

Peterson: Yes. Actually, you could understand that this was not a very sophisticated group. They were the type that might not even believe us, to the extent that a cross-section of citizens would.

Well, as I said earlier, each Friday afternoon one or two or three branches were picketed. But Frank had set it up in such a way that we knew where they were going to picket pretty well, so we could pass that word on to the police, and be sure we had the facilities ready for them. Actually, there were no extremes. There were unpleasanties. And, like any such situation, there were some interesting and kind of amusing anecdotes. I'll just recite one down in Santa Monica.

Pickets at Santa Monica and San Diego Branches

Peterson: This was our number-two branch in Santa Monica that was being picketed by twenty or more--probably a couple from CORE, but otherwise fifteen or twenty students from down south. They were marching very orderly in a half-circle, kind of the width of the branch itself. Each one carried a sign in the usual manner; each one had an insignia as to what we should do or shouldn't do, and so forth.

Along in the late afternoon, a pickup truck with a gentleman driving it drove up. He'd pulled up to the curb, got out of his truck, and stepped up to the line. As each student came with a sign, he took the sign and broke it over his leg, one after another. They were sufficiently confused that the signs kept coming, so before they stopped and got out of the way, he'd broken up about half the signs. Not a word had been said. He got back in his truck, closed the door, and started the motor.

About that time, one member of the group decided to be heroic, and came running over and threw himself in front of the truck. He [the driver] opened up the door, got out of the truck, picked him up by the seat of his pants and the back of his shoulders, tossed him back up on the sidewalk, got back in the truck, drove away, and [laughing] nobody knows to this day who he was.

But other than that, nobody was hurt, nobody was injured, nothing vicious developed.

Finally, they got down to San Diego, San Diego main branch. They went through the usual performance on a Friday afternoon. By that time, we were beginning in some branches to be open until five o'clock. It seemed to me we were open late there. So they had a good round of picketing. And the following week, there was not a word in the San Diego Union. Usually, of course, the newspapers wrote this up.

So the following Friday afternoon, they went down to the San Diego Union and picketed them instead of the bank, and still not a word in the newspaper. And with that, the campaign ended. That was the last picketing that was done, and everybody went back home. That was the last we saw. I--this was 1964--and I was of course here until '70. I have asked our personnel people since then, and apparently that was the last as far as they know.

It was interesting because we received letters from both the Pacific Gas & Electric and Southern Pacific thanking us for our constructive approach and patience, because they had been notified that they were next on the list for the same thing.

And then to complete the camera end of this show, some eight or nine pictures were taken where it was felt that there was legitimate interference, along with eight arrests. And with due deference to California courts, there were eight convictions. In other words, the score was 100 percent.

LaBerge: Did they go on and picket any other banks, or this was the end?

Peterson: This was it. I know we would have heard of it. As far as we know, this format did not follow with any other organizations. However, remember this is not unique for labor unions.

LaBerge: On that note, do you have or did you have a labor relations department, or does the personnel department take care of that?

Peterson: Our personnel. Frank Young was the master mind in all this.

LaBerge: Because it certainly sounds like you handled it in a sophisticated manner, and you hadn't had the experience--

Peterson: No, it was new to us. No, I thought it was well handled. I will say for Frank Young and his people, there was always recognition of the other fellow. He always gave them the benefit of the doubt. And as a result, I think there was

probably a minimum of the irritation that would come in such situations.

[Now that we were allowed to legally identify employees by racial origin, we had some interesting statistics as of December 31, 1965. Statewide, we had 1,006 Negro full-time employees. We only had 638 of Asian origin. That ratio has certainly changed. The percentages have no doubt increased and the ratio of Asian employees has really multiplied. Interestingly, we had 1,956 employees of Spanish birth or double the employee figure and three times that for Asian.]¹

Discussions with Cal Tech Students

LaBerge: Later on, and I'm not sure if it was when you were still here, was there some kind of disturbance at Isla Vista?

Peterson: Oh, you mean down at Santa Barbara?

LaBerge: Yes.

Peterson: No, that was a couple of months after I retired, January 1, 1970.

LaBerge: But it wasn't--it had something to do with--

Peterson: I was cross-examined by a gathering of students at Cal Tech. See, I was on the board of Cal Tech.

LaBerge: If you don't mind telling the story, I'd like to hear it.

Peterson: President Harold Brown said he'd like to have us come to the campus, attend some of the lectures, stay overnight so we could visit with the students, and then he'd like to know our impressions.

So I had been in Mexico and was on my way back and had to be in Los Angeles the following day anyway. So after lunch, I went out to the Cal Tech campus, attended two or three classes. So I was clear then by dinner, and of course, they had me set up in one of the main dorms where the main dining room was. There

¹Bracketed material added by Mr. Peterson during the editing process.

was an attractive little suite upstairs that I stayed in overnight, which was very nice.

So I came down for dinner and sat with the students, had dinner and had a thoroughly enjoyable time, and then went up to my suite. In the meantime, somebody had told me, "Well, don't lock your door, because the students have been told they can come and visit, so you're going to have to visit with students."

So sure enough, I got up there, and had not been there long until the students started to come in and sit down. Well, this was two or three weeks after Isla Vista, and so naturally what they wanted to talk about was Isla Vista, and what should the bank do, and what was the right and wrong about it. I knew I'd be at that all night if I didn't get off of that one. So the result was that, after about a half-hour of this, I of course carefully explained that I was in Timbuktu or New York or somewhere at the time, so I knew very little about it really. And finally I got off the hook, but in the process of that, fortunately got into the problems of attending school, and financial problems that come about and so forth.

So the result was, we were talking pretty realistically of the problems that come with students of getting to school and financing themselves. Also what there was available to help them, and was this right and wrong, and the typical give and take that was delightful. Except that I realized at two o'clock in the morning, these fellows had been coming in shifts! They'd come in and spend an hour with me; in the meantime, new ones would come in, they'd go down and study, and they'd come back at one o'clock in the morning to talk some more. [laughing] So at two o'clock, I just said, "Gentlemen, I've got to get some sleep before I leave."

The next day, morning, I went off to visit with Harold Brown, the president of Cal Tech, and I said, "You know, I was so impressed last night, in these discussions and hearing the stories of these students on how they got here and why they got here, and who helped them get here, and so forth." It was obvious that from our conversations, that a lot of them came from families of craftsmen and some of them obviously came from relatively poor families. Having understood that straight A's in high school was only the start to get in here, plus all the tests you had to take, I was much impressed because it was obvious that the families of many of these had worked hard to see that their youngster did well in school.

The president agreed with me, and he said, "Yes, it's thoroughly interesting. But you do realize that over 50 percent

of the parents of our students have never been beyond high school?" Which was really impressive to me.

Well, now let's move along. [tape interruption]

International Expansion at the Bank

Peterson: We've talked pretty much about the domestic side of the bank, even though thanks to Clark Beise I had naturally spent some time getting ready the expansion of the bank's international activity. As a matter of fact, at the beginning of 1960, we had four branches--Buenos Aires, Manila, London, and one other--and then in Japan, where we had come in very early after the war, we had four branches. But that was it on January 1, 1960.

In '61, we added one branch. In '62, we added one more branch. In '63, we added eight branches. In '64, five branches. And from there on, we added ten to twenty branches per year, so that we, after the beginning of '63, we really moved on. We were able to do this because prior to the time I came, Mr. Beise was doing a marvelous job in structuring the domestic side of the bank. He had also carried on sufficient activity in probing throughout the world that we had established our niches where our opportunities would be.

For example, on the European scene, American banks pretty much confined themselves to American companies in Europe, and the European banks pretty much confined themselves to the local requirements of the industry in their own country, but not internationally. So that the international requirements in Europe of European companies was pretty well a wide-open opportunity.

In Asia, our American banks again pretty much confined themselves to the activities of American companies in those countries, and fortunately for us, there were very few European banks over in Asia. This is the early 1960s. So the requirements to some extent local but largely the international requirements of some very major Asian enterprises in each of these countries were wide open. So, this was an area that we concentrated on.

We had an interesting sidelight to that, specifically in Hong Kong. We opened there, and of course, it's a key center for much of Asia. When we opened, in addition to merchant interest, we had interest from the lending officers of the local

banks. They came to us and wondered if they could join. We explained that when we came to one of these countries, we were glad to be there, we were a guest, and we were not interested in raiding the personnel of our friends, the local banks. So we would not be interested in employing anybody that already had a position with a bank.

Ironically, a few days later in several instances, they came in and said, "Now we've resigned. Will you hire us?" Which was a bit embarrassing.

Well, moving on, in Latin America again, American banks had generally confined themselves to American activities in those countries. There again was limited European participation, although more than there was in Asia. So here again open for us as an American bank was the international requirements of the local business. They were very, very interested.

Philosophy of Foreign Expansion

LaBerge: Could you say something more about your philosophy of going into another country and being the guest, and--?

Peterson: Yes. After all, the government, and particularly the financial side of the government--I'm talking about the treasury end, and the central bank end--had the responsibility for maintaining and directing the development of that country economically, and a key part of that is its banking system.

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Peterson: We would not go into a country unless we were invited, and naturally, we would not go in unless we could see where we could be useful and contribute something that maybe was lacking at the present time. And in most instances, we usually found that there was a place for us, and that we were invited. But there were ways in which you could utilize your friendship or ties with local businesses and maneuver around to semi-force your way in. This we did not do.

LaBerge: So when you were invited, you were invited by the government?

Peterson: Yes. Also, usually, the central bank.

Recruiting Qualified Personnel

Peterson: Well, in anticipation of what we saw as our opportunities, and we were pretty enthused on that score, we devoted a good deal of our time to getting ready to move in terms of personnel to man the branches. Obviously, we had to know where we could get the competent people to run something before we opened it. So by the period I'm talking about, primarily '63 and '64, we were pretty busy surveying our own potential. We did have the few branches I've mentioned in various parts of the world, so we had a start. We also were taking inventory of what we had among these credit men here at home, and also those who had helped direct our limited international activity, who might be available to move into these areas. In the process this meant that we had to do some intensive training and hold meetings to get them ready. And more important, to get some people to take their place here.

This meant that we wanted to bring in qualified people for training on these jobs, and to do that, I have already indicated that we decided we did not want what was left over from some other bank. Naturally as it became known that we were moving in to various parts of the world, younger men who were qualified from some of these banks became intrigued. We also carried on pretty extensive activities in recruiting in Europe.

I was particularly interested in Europe because most students in Europe, of course, at the college level and beyond, not only spoke English but spoke French or Spanish or both. The thing I did not realize was that, as we went to various universities to recruit, that this was something almost new in Europe. We were about the first. So we had quite a selection, and some very interesting young men at the graduate level, more sophisticated than just the normal college graduate, and had very much of a choice from the European universities.

We particularly there had in mind the Latin American countries, because I felt that emotionally and from the standpoint of background, European sophisticated graduate students would have been exposed to more varieties of people than the average American student. We were quite successful, and much of our Latin American scene became populated with these students.

LaBerge: Did you do some of this recruiting yourself, or did your personnel department do it?

Peterson: No, as a matter of fact, I asked our European managers, and the senior people in our European countries, to do much of this recruiting.

The Beginning of Affirmative Action

Peterson: Well, in this process I laid an egg. I decided that--or, rather, observed--that we had acquired here some very competent, intelligent, and highly qualified young ladies at the Bank of America. Many were young, had not only gone to college but some had taken graduate work. They were capable of moving on to more sophisticated situations. And so, a quick way of getting the capable men out of international here at home was to fill their chairs with these young, sophisticated ladies, and we did.

They were very enthusiastic, and it worked out very well. But five years later, we had a repercussion. Kathleen Wells who was with us here, along with a couple of the other girls, but she led the way, brought a suit against us because we had discriminated against femininity. The main part of the suit was not so much we hadn't paid them as much as we'd paid the men, but the important part was that we didn't offer them assignments to run our branches overseas.

I think number one, we had assumed that they would not be particularly available to go overseas, and secondly, normally we thought they'd be looking for husbands over here, not in Timbuktu. But the result was that, I think it was in 1969, a suit was filed against us under the name of Kathleen Wells, and as I said, two other young ladies participated.

Well, this became very interesting to the Equal Employment Opportunity Commission, EEOC, so they invited themselves in with the court to participate in this. Naturally, our people were getting ready defensively, and pointed out that we generally had been pretty active in recognizing that these were outstanding persons and that's why we started this movement some four or five years earlier, and that it left at least some question as to whether we had intentionally blocked them from ever going overseas.

[Our constructive approach apparently became sufficiently interesting that we wound up working with the Equal Employment Opportunity Commission under the court supervision. While this moved along over two or three years there was no trial. The bank contributed some \$3.75 million to set up four trusts to

carry on training and development programs for interested and qualified female employees. While most of these training programs would be within the bank, funds were also available to send qualified people away for technical training or more sophisticated studies such as graduate school.

Each trust had five trustees. All carefully selected senior employees because none could be, in any way, a present or potential beneficiary of the trust. The administrator of this program was one of our very outstanding executives, Jenifer Renzel, who made it a success.

The Management Training Trust, as the title implies, was really to benefit quite senior employees who were qualified for management assignment. The International Trust was to assist our female employees in achieving their highest ambitions in the international scene. After all, that's where this program originated with my earlier ambitions for some of our alert young ladies.

The Self Development Trust was primarily to assist deserving and qualified more junior employees to move along in the bank and deserved education on the outside if necessary. The intention of the Women's Employee Trust was somewhat broader based than the other three. Non-bank employees were eligible and generally it provided a broader variety of training for qualified feminine applicants even to the extent of advanced degrees in college. Incidentally, at the end of five years any funds remaining in the first three trusts would go to the Women's Employee Trust whose life was indefinite.

The outstanding results of this program were such that it became of interest nationally. This was the first major legal action of this scope. William Weir, the attorney who handled this case and continued to be involved in other litigation later, tells me approximately 50 percent of all subsequent organizations, i.e. AT&T, General Electric, and General Motors, and other major organizations resolved their litigation in much the same pattern as Bank of America. So, this apparently became quite a model and possibly limited my penalty for having started all this.]¹

LaBerge: Well, you started it, and you were here.

Peterson: Well, as a matter of fact, the action started after I had retired. That's why I mentioned this, four or five years later.

¹Bracketed material added by Mr. Peterson during the editing process.

In the early stages of getting going on opening branches and getting underway, I may have mentioned that, thanks to Mr. [President] Sukarno, who had eliminated all the Dutch bankers from Indonesia, we inherited some of these well-trained bankers in key positions. Now, in addition to them, we had some pretty senior people we inherited from various banks throughout the world, including the U.S. They came to us because we were opening up things new and it interested them. They were anything but castoffs--very competent.

LaBerge: Now, were there other American banks in Asia?

Peterson: Oh, yes. In Asia, for example, First National City [Citibank] was there. Chase had two or three branches, but not as extensive as First National City.

Roland Pierotti and Joe Carerra

Peterson: I don't think I've mentioned Roland Pierotti.

LaBerge: No.

Peterson: And Roland Pierotti was our man in Washington for many years, and then Mr. Beise brought him out in about the middle fifties. Because of his background, he was kind of Mr. Beise's assistant and in the early stages worked with Mr. Russell Smith, who was executive vice president. Between the two of them, they explored the early activities on the international side. When I came along, Roland was far enough along in it that I asked him to be the boss. We made him an executive vice president, and he was in charge of the coordination of our international activities.

I explain that because Roland was imaginative, had a feeling because of his earlier background for various foreign countries, was particularly good in identifying the opportunities and the activities that would be useful in banking. He had been with us for many years. He was not a manager in terms of keeping track of operations. So that now that this was expanding and growing, he was kind of number one because he was the man that opened the doors and got things set and underway. After we were underway, I asked the man who had been supervising domestic operations to come in also as executive vice president, but he worked with Roland in organizing a new branch, getting the right people on the set,

got the operations underway--which was kind of foreign language to Roland. The two of them worked beautifully together.

LaBerge: Who was the other person besides Roland?

Peterson: Joe Carerra, the son of immigrant parents, so he was pretty much at home on this foreign scheme.

LaBerge: From all the people that you mention, you seem to have a knack for sizing people up early and seeing their talents, and where they would fit well. You seem to pluck people for different jobs and know what's needed.

Peterson: But you see, I'm careful not to tell you where I pulled some boobos along the way.

LaBerge: [laughter] That's all right.

Peterson: No, I think--

LaBerge: You're good with people.

Peterson: I think with what you have heard of my variety of experiences, by the time I was in my fifties, I should have some sense of judgment. It was also very helpful to watch others and how they select people for different situations. It was all a very fortunate combination. And there was a little luck too. With the domestic situation so well taken care of, I could devote more time to international. Roland Pierotti had already opened up the door to some of these countries.

Latin America: Colombia

LaBerge: What about expanding to Latin America?

Peterson: Buenos Aires is the only place we were. A. P. Giannini had expressed some reservation to the board in the beginning fifties. The result was that I wanted to be sure we were ready to move before I discussed this with the board. Roland and I had spent quite some time in the Latin American countries so that we could speak with some authority. We pointed out to the board that we should move soon, because time was limited. Obviously, as they were beginning to mature, the local banks

would like to have more of it to themselves, and as a result were putting the pressure on the governments to restrict entry of foreign banks. And as a result, we probably would find increasing resistance in our opportunities to enter these countries.

However, I wanted to point out to them that in any array of countries like Latin America, that there would always be a couple of countries that would be having problems. Five years later, there would be another couple of countries, but not the same two. History gave ample evidence to point that out. But with patience and care over the long run, history had also shown there was a very interesting opportunity.

Just to give you an example of some of the type of resistance we encountered. We had opened our bank in Colombia, and it was my first visit down there. So Avianca, the Colombian airline, decided to give a luncheon. They invited the leaders in Colombia to this luncheon, including the president of the country. Presumably I was a guest of honor, and it was for my benefit.

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LaBerge: Okay, we're at the luncheon, and the CEO of Avianca--

Peterson: Yes, the CEO of Avianca Airlines introduced the president of Colombia, and asked him if he would like to say a few words. He accepted very readily, and a half-hour later he was still talking. The gist of his conversation was to explain to these fellows how the International Monetary Fund [IMF] was down there attempting to assist Colombia in their current problems. IMF, as you know, that's their job, along with the World Bank. So IMF very properly expected, and would ask a country, to do certain things to put themselves in a position to pay back their loan in due course. He made it very clear that Colombia was not going to let IMF tell them what to do, or how to run their country, and so forth and so on and on.

So naturally my expression of appreciation had to be limited accordingly, which was fine. Incidentally, six to eight months later, Colombia had agreed to everything the IMF had requested, which was perfectly reasonable in the first place. They weren't trying to tell Colombia how to run itself. But this was the sort of thing that you ran into.

LaBerge: So had you opened up a bank in Colombia?

Peterson: Yes, but I hadn't been able to come to the opening, and that's why this fuss now.

Latin America: Chile

Peterson: We were visiting in these various countries and ascertaining which ones wanted us and which ones didn't, and what the problems would be. Roland and I visited Chile. This, of course, was a very choice country, and as a result, the country had done very well and they had a good cadre of banks. But we felt we saw some real opportunities there, and so we visited with the minister of finance. He expressed his reservations. First National Citibank was there, and then there were a couple of not very large European banks. And with the good local banks they had, he wondered, politely of course, whether they needed us there or not.

We had an appointment with President [Eduardo] Frei [Montalva] that afternoon, and we told him that we'd be delighted if he could join us while we visited the president. Practically from the time we walked in, President Frei spoke up and said, "Bank of America, we need you here!" With what we'd listened to all morning, that was very welcome news.

So we went on from there and discussed what we had hoped to do. President Frei, who was a very outstanding president of Chile--this was about the middle sixties--had some ideas of what he felt we could contribute. The Banco di Italiano was an old bank that had been there for many years but had made limited progress. We had heard that they might be interested, and so we discussed with President Frei if we bought that bank, which would give us the permits for additional branches throughout the country. He was very pleased with that concept.

Roland Pierotti brought up the fact that there were two or three key areas in northern Chile that they did not serve, and what would be the feasibility of giving us permits to open branches in this area. He turned to the minister of finance and said, "Look into that. I think that makes good sense."

So the result was, in a few weeks, we had bought the Banco di Italiano, and were all set with our permits. I later visited with the heads of the various local banks, and they said, "What did you do? We've tried to get branches up there for years, and the minister of finance never would okay it." Well, that was typical of the difference you'd have. Here in Chile with a

minimum of effort, and now I'll give you a sequel that was pretty tragic in the biggest country down there, Brazil.

Latin America: Brazil

Peterson: This was an international bankers' gathering in Rio, and I took advantage of this time to visit with the minister of finance, as well as the head of the central bank. They said yes, they would be very interested in having us come down. However, I think it was the head of the central bank who said, "You know, we have too many small banks down here. As a starter, we would be so pleased if you would buy up a few of these local banks and structure them into your organization."

I said, "That's reasonable. It means that we're going to take a good deal longer, probably six months to a year, to identify these banks and get them together, and agree on a purchase price, but we're perfectly willing to do that." So we went right ahead. Roland followed up, and our people negotiated with the banks.

It probably took most of the year. We not only had had a deal with one bank that had several branches, but also a couple of more banks that we could acquire, which gave us a start. We went to our own Federal Reserve Bank here in the United States and got their clearance for all this, which was necessary under the circumstances.

And in the meantime, Brazil had had an election. In the process, there was a new minister of finance. I believe there was also a new head of the central bank, but I'm not sure of that. I visited with the minister of finance and he said, "Well, we can't give you a permit." I recited what had happened before, and "is it true that your predecessor would prefer if we took the time to get these banks together and structured a bank that was already going?" He said, "That's true." "Have we done that?" He said, "That's true." "And you are now reneging on the commitment?" He said, "That's also true."

I went to the central bank and went through the same thing again. They agreed that we had done everything they had asked us to do, and had taken the time to do it the hard way. Obviously, the local banks had turned the heat on politically to keep us out. Incidentally, First National Citibank had been in Brazil for many years.

The sequel to that story is that some months later, we were at the World Bank meeting in Washington. Roland Pierotti and I were visiting with Earl McLaughlin. He said, "You know, I'd like to talk to you." We said, "Should we go somewhere?" and we were sitting in a corner of the bar with bankers from all over the world all around us. He said, "No, I guess we could talk about it here. What I really want, I've heard about your experience down in Brazil, and frankly we have had a bank down there for many years. Maybe it's the way we do things, but we haven't done very well. Would you be interested in buying a half-interest with us?" I said, "Sure."

LaBerge: And what bank was he with?

Peterson: He was the chairman and CEO of the Royal Bank of Canada.

So we sat down and discussed it. He had some papers with him, which we reviewed. In the course of another half-hour or so, we had gotten far enough along that I said, "Frankly, you've shown me enough facts and figures. And with the attitude you're taking, we are seriously interested." He said, "Fine." I said, "We're \$250,000 apart, and that's close enough. I'm sure we can resolve that," which in due course we did. With that, we bought a half-interest, and that gave us our start in Brazil. But it was thanks to the Canadians.

And then of course, within four or five years, the Brazilians were begging us in every way to come in to a greater extent than ever. [laughs] But that was what we had to reconcile ourselves to in Latin America. I'm just giving those three examples to indicate that things go up and down, so to speak, and never in the same place twice.

LaBerge: And this is because of the politics. Or is there another reason, do you think?

Peterson: It's, I think, it is the politics, and local banks can be pretty influential voters. But they're less sophisticated in Latin America, and also the business structure is less sophisticated. So you have changes taking place that give a measure of instability. But if you conduct yourself on a sound, careful basis as you move along, and don't get too overambitious, well, you have enough cushion that you have no problem surviving profitably.

I just had a discussion a couple of days ago with a couple of bankers that they say now, and I agree with them, that probably Latin America with all the problems they've had in the last ten years, are now in for another ten years that will just

be going stronger than ever. Our problem in Latin America has been our excesses of the eighties. We were much more careful in the sixties and the early seventies, and then in the late seventies and the eighties we went overboard. And of course, we did that pretty well right here at home with our mergers and our high interest rates, loans and excessive loans around the place.

LaBerge: One more question: in all of these transactions in foreign countries, did you need Federal Reserve participation for you to do that?

Peterson: No, we did not have participation, but--

LaBerge: Or approval?

Peterson: Not always, but it depended on the circumstances, to some extent. It wasn't automatic that we had to have Federal Reserve permission. But generally speaking, we collaborated with the Federal Reserve.

LaBerge: How are we doing timewise?

Peterson: Oh, we can continue for another half-hour.

Banca d'America e d'Italia

LaBerge: Okay. We haven't talked about the bank in Italy. I don't think I can say it right--Banca d'America e d'Italia?

Peterson: Yes, that's right. I think I have a few notes on that. [searching for notes] That was rather interesting. Mr. [A. P.] Giannini, when he was still head of the bank in the twenties, purchased a small interest in Banca d'America e d'Italia. Then, we got into about the middle forties, we purchased substantial control of the bank. We eventually purchased it 100 percent.

By the sixties, this was a very active bank, and our president and chief executive was a Mr. Rossi. As a matter of fact, because Mr. Beise had asked me to participate and take his place on all the international meetings elsewhere, I went on that board practically the day I came here. So I was over there at about every other board meeting, with them. Mr. Rossi was doing a good job, and unfortunately in the early sixties, on his vacation, after breakfast, had gone in to have his bath, and his wife found him with a heart attack; he'd died suddenly.

So it was necessary to replace him, and I spent a good deal of time over there and particularly collaborated with Mr. Carli, who was the head of the central bank of Italy. Mr. Carli was considerably more than the head of the central bank of Italy; he was one of the most sophisticated bankers I ever knew, and was respected all over Europe. So he was very helpful as a point of reference to check with, and we finally wound up with two candidates.

Antonio Tonello was head of the Development Bank in Italy. That's a semi-government bank to help new enterprise along. However, he had spent a good deal of time in the U.S. and in Latin America in earlier stages of his life. He not only was quite familiar with us, but equally important, he was quite familiar with Latin America, as well as, of course, his own country. We finally determined that--Mr. Carli agreed with me--that he was the choice, and I submitted it to the board. The board elected him as our president and CEO of the bank.

We had two problems that, when the moment Nino took over--which was his nickname. One, I felt that we, as a bank, should find a way to cash normal checks without any problems for people in less than a half-hour. The process at that time in the banks, which was not entirely unique to Italy, but was a little more cumbersome there, was that you turned your check over to one person, and then it was passed around. Normally four people had to look at that check and check some records on it, and it normally would take about thirty minutes.

So we finally got the process down to two people, and you were there somewhere between five and ten minutes, which became very startling and was our first effort to make ourselves more attractive and popular in Italy.

The other I failed at, and that was that we were not serving northern Italy. The northern end of Italy, I was trying to get some additional branches, but was not successful. It was quite progressive in terms of leading the way, and did very well, very profitable, so profitable that when the Bank of America in the eighties needed some money, we sold it to the Deutsche Bank, which is the number one bank of Europe, and they were very anxious to get it.

LaBerge: Do you have a list, or do you want to name the countries where you did open up banks? Or that might be too extensive.

Peterson: That's very extensive.

LaBerge: Okay, we'll forget that.

Peterson: In other words, I think we wound up with eighty-six banks. I don't think it would be for anybody's reading--they could always get a list of the banks from B of A.

Scandinavia

LaBerge: What about, just out of interest, what about Scandinavia? Did you have a special in there, or--?

Peterson: No. I did not have a special in, but fortunately, nobody else had a special in either. Sweden, Denmark, and Norway pretty much had their doors closed to outside banks. Even First National City, who had a head start fifty, sixty years ahead of us, hadn't gotten in yet. But in later years, after I retired, we wound up in Denmark. They had very sophisticated banks. As a matter of fact, when it came to electronics and computer and such, I believe Erickson Telephone, as a result of its work in electronics with the Swedish banks, was asked to help First National Citibank of New York catch up.

In addition to our subsidiary, the Banca d'America e d'Italia, we had been established in London for some years. Likewise we had a branch in Dusseldorf, Germany. As I recall, we were in the process of getting underway in Paris and I have a little anecdote on that one. From there, we moved on to Greece and the area around the Mediterranean. We were the first American bank to enter Spain and Holland. More on that later.

Anecdote on Paris

[Interview 10: August 19, 1993] ##

LaBerge: We had talked a little bit about the international scene, but we wanted to talk more about it today.

Peterson: Now for the anecdote. We had bought a building in a very choice part of Paris just around the corner from the Hotel Ritz. It was an attractive building architecturally, but kind of old and pretty dirty. So we decided to clean it up. Well, we hadn't gotten very far in the cleaning-up process that the appropriate city authorities came by and said, "Now, wait a minute, we don't want you to clean up this building. Paris has a great deal of

history, and that is reflected in these old buildings we have throughout the city. We think they are attractive that way."

So we said, "Very good," and of course, we then had to get busy and dirty up the cleaned part of the building that we'd cleaned so far so we'd be back with the rest of Paris. [laughter] That worked out fairly well, and they welcomed us thoroughly.

Europe and Africa

Peterson: The second organization I referred to that we had was known as SFOM, and this was a joint venture that we had made--of course, as a result of having the Bank of New York--with three other European banks who were very active in Africa. This provided us with an entry into Africa and a head start along with it.

LaBerge: Is that SFOM an acronym?

Peterson: SFOM were the initials for Société Financière Outre Mer. Primarily, this originated with Banco Nationale de Paris, who of course had extensive bank operations throughout western Africa. We had had a good deal to do with them in the earlier years. So the result is in the new SFOM organization, Banco National de Paris had 35 percent, we had 35 percent, the Banque de Lambert of Belgium had 15 percent, and the Commerce Bank of Germany had 15 percent. The headquarters were in Geneva, Switzerland, and there, of course, we had regular board meetings.

The Banque de Lambert of Belgium, of course, was very key in the Congo in central Africa, and gave us an entry there. Then, once we had formed this, we proceeded jointly to establish banks in Uganda, Kenya, and Tanzania. Inasmuch as they were new, this became our sphere of responsibility for management, so we had to supply the people and the management for those three banks.

But this gave us the concept and I think, a feeling of the importance of associating ourselves with other banking institutions, not only in Europe but eventually elsewhere throughout the world. So as we were moving along, and setting up additional branches throughout the world, we formed these joint ventures in various parts and in various types of activities including equity investments with some customers.

About 1964 or '65, Emilio Botín came to visit with us. His father had founded the Banco Santander in Spain some fifty years earlier, and it had been a very successful venture. So Emilio now, who was a mature and competent banker, had come to San Francisco to talk with us about entering Spain. At that time, there was no foreign bank in Spain.

Actually, what he wanted to talk to us about was to join the Banco Santander in forming an investment company there. His proposal was that we'd own it 50-50 and co-manage it. Well, we said, "Better still; we agree with that, but let's also form a bank, and you own 50 or if necessary 51 percent of it, and that will give us a chance to enter Spain as a banking institution." This he agreed to, and it turned out that as long as Banco Santander owned 50 percent, we could own 50 percent legally.

The result was that we set up two institutions. His very competent son, Jaime Botín, was selected as the chief executive for the Banco Intercontinental Español, and of course, we supplied Michael Simón, our man, who had been our representative in Spain, to run Banco Commercial para America. This provided us with a real head start. Not only were we the first bank in Spain, but we were associated with admittedly the most active and imaginative banking institution there. Banco Santander with its branches were still only about number two or three, but they were the ones who led the way and did the constructive banking activity. This bank is now the number one bank in Spain by a healthy margin.

LaBerge: Well, did you have to find personnel, for instance, who knew Spanish, or where did you find people?

Peterson: Michael Simón, of course, was one of our European friends who had been employed by us for some time and was fairly senior. He probably was an old man in his early thirties at least. But no, it was up to us to send along from London and Paris, a couple of competent people to assist him, and from there on, we of course trained and developed local people.

LaBerge: Same thing in Africa?

Peterson: Africa, of course, this was the same thing pretty much. I recall that particularly Banque Lambert and Banco National de Paris helped us with some experienced people. They had been in western and central Africa for many, many years. As a matter of fact, it had almost been their domain as far as foreign banks were concerned.

Another interesting opportunity came along in the middle sixties, which was known as SFE, Société Financière Européene.

Here we were six banks making a joint venture. Again this came out of discussions between Bank of America and Banco Nationale de Paris. Our thought there was that as a group of European banks working together, there were quite a few things we could do that would involve organizations in various countries. The concept really was sparked because we had the [European] Common Market getting underway. There would be various types of transactions in the interest of helping the Common Market move along which would be new and different, and an organization that had not only the competence but the legal fortifications to handle flexible situations financially would be very helpful.

So in addition to the two of us, this organization consisted of six banks: Banco Nationale de Paris, Algemene Bank Nederland, Amsterdam, Holland; the Banco National de Lavoro, Rome, the number two bank in Italy; the Barclay's Bank Limited, London; and Dresdner Bank.

Like SFOM, SFE had regular meetings, and Paris was headquarters for this organization. We had an interesting limitation that by agreement, the board of directors would consist of only the chief executive officers of each of these institutions. We felt not only were the problems and the proposals going to be new, but they were going to be different, and the stake we had in helping promote the Common Market called for the best we could offer. While this might not have always been true, the CEO was supposed to be the smartest man on ship. But in any event, it was very interesting for me to sit there with the men who were veterans in running these worldwide banks.

LaBerge: I would imagine, though, in size the Bank of America was much bigger than any of those.

Peterson: We were the number one bank in the world at that time, yes. But we were still the youths of that gathering, as you can see from the names that I've given you.

Shortly thereafter, we had another venture with the objectives of expediting unusual situations involving rather substantial equity positions as well as loans, and there were only two of us. That was Banque de Pays Bas of Paris, with ourselves, and was known as the Ameribas Holding Company. We set up offices in Paris, Luxembourg, and London. Paribas was not the biggest bank in France, but it was without question the most imaginative. They had rather substantial equities in many of their client organizations, particularly in Europe. They were in Asia as well. Their type of banking usually, along with the loans, went some measure of equity. It also meant that it was the type of banking where you felt you should have and did

have a rather active say-so in management. You weren't running the borrowers' ends of business, but with the sophistication of the Paribas organization, you were in a position to have the right information, and know what was going on much more readily. It was the most venturesome type of banking partnership one could imagine.

LaBerge: Are any of these groups still in existence?

Peterson: This one is not.

World Banking Corporation in Nassau

Peterson: Now, another organization which was set up as a result of these types of expanded activities, and for a quite different reason, was the World Banking Corporation in Nassau, headquarters in Nassau, the Bahamas. We were the principal bank there; we had 37 percent interest. But with us, all with an interest, to somewhat lesser extent, were seven European banks, the Bank of Tokyo, the Toronto Dominion Bank, and the Kuwait Investment Company. The last one, of course, brought more of an oil flavor into the scene than banking as such, but they were of course very substantial.

This was a combination where we worked together, not only in furnishing a measure of equity if it was necessary, but of course were operating in a very flexible area such as the Bahamas. That was important to many of these institutions, as well as ourselves. Also it was a tax-free institution. That could make a difference whether either lender or borrower. Being able to do business without any taxes for a lengthy period could be very useful. Of course, depending on the situation of your own country, you probably, like in the U.S., if you wanted to return any of that money to the U.S., you paid tax. But until then, it was yours to keep and use as you saw fit.

This was becoming then, the Bahamas, the setting for other institutions as well to set up very extensive trust activities. Naturally, it interested people from various parts of the world, if they could go somewhere and set up a trust and accumulate in that trust without paying any taxes out of earnings. That was included in our combination. And as I have indicated, investment activities of all types, as long as they were legitimate and sound, made it interesting.

LaBerge: Is the other part of the flexibility that there aren't laws against--or their laws allow a lot of activities that, say, our country doesn't?

Peterson: Yes, and I don't mean by that that you don't have to use sound business judgment. But you have a very minimum of restrictions. As a matter of fact, at this late date in life, I've been the chairman of the Eurocanadian Bank for a good many years, with headquarters in Nassau, for the same reason.

Well, this, by the end of the sixties--

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Peterson: So, by the end of the sixties, we had twenty-seven of these types of organizations and affiliations in which we participated. We had considerably less percentage of equity than I've indicated in some of these. But it proved to be an effective process to establish ourselves throughout the world. We had pretty much caught up with Chase and National Citibank who each had a thirty- to forty-year head start on us.

The Bank of New York [Bamerint] Board

LaBerge: Every time you made one of these formations, did you have to come back and discuss this with committees? Was there a lot of traveling back and forth before you could give the go-ahead?

Peterson: [You raise an interesting point. Actually, the board had given management ample authority that once a basic decision was made to establish a branch in a country, to join a group, to join into a joint venture of banks or corporations, from there on we had the authority to move. However, in some respects, we needed an opportunity for more knowledgeable discussion with a sophisticated group in international affairs. Understandably, our bank board membership was pretty much made up of business leaders from the West, whereas the vast majority of international business originated with business leaders east of the Mississippi. Fortunately, we already had an "Edge Act" subsidiary well established in New York. This subsidiary was authorized to do banking anywhere in the world. However, up to this point its small board consisted of members of the bank's management group.

Hence, we proposed to the board here that we would like to replace this board with a small board consisting of

sophisticated industrial leaders for the eastern half of the U.S. who had extensive experience, interests, and activities throughout the international scene. Hence, we would like to discuss our plans and programs with such a group. Of course, look to them for complete authority. We would keep the parent board here informed of those decisions.

This move was heartily endorsed. This new board consisted of Tom Coughran, the president of our New York subsidiary, the writer, and the following five CEOs of major firms: Bert Gookin, H.J. Heinz Company; Najib Halaby, Panamerican World Airways; David Lewis, General Dynamics; Augustine Marusi, Borden Inc.; and John McClain, Continental Oil.

A bit later on, the federal legislation permitted us to establish a second subsidiary, Bank of America International Finance Corporation [BIFC]. This subsidiary expedited our interest in various types of industrial affiliations which permitted us to take equity positions throughout the world heretofore pretty much limited to lending relationships. This was also established in New York. The combination of this small sophisticated board with us on the international scene simplified life very much. Fortunately for us, they also joined up with equal enthusiasm in this extensive venture.

Some years later following my retirement, these gentlemen were invited to join our board here. By that time the international organization was well established and our parent board fully familiar with our international activities as well. Fortunately, four out of the five were able to accept and became very key members.

LaBerge: This is just a question--I'm just thinking about the Nassau and the Bahamas and wondering, where does the idea of the Swiss banks fit into any of that? Because for many years, people were going over to Swiss banks too, weren't they, to keep away from taxes or--?

Peterson: No--Switzerland does not forgive your taxes or even hide them--but they will hide your identity. In other words, bank accounts there carry numbers instead of names. So, if you're trying to hide taxes it can only be temporary, but only a court can identify a bank account in Switzerland.

LaBerge: Okay.

Peterson: I come back to these many affiliations with other institutions. I do think it helped to establish our standing on the international scene. In helping ourselves, we were also

interested in helping other banking institutions, making it a truly two-way street.}]¹

Benefits of World Banking to Host Country

Peterson: I have a homely little story to tell of an incident which I felt rather typified this. We were the first foreign bank to be given a permit and invited into Holland. Needless to say, we were very proud of that. So we established our bank in Amsterdam. When we were ready for the opening, I, of course, came over. The chief of the number one bank in Holland invited me out to his home for dinner the evening before our opening.

I arrived at his home, and here I found a gathering of some twenty-five or so gentlemen who obviously were the leading men of Holland. A couple or three on the political side, but the rest the leading business leaders. Well, needless to say, for me it was a fascinating evening. A lot of discussion and exchange all the way through. And went on until fairly late in the evening, and then my host insisted that he would take me back to my hotel.

So naturally, on the way back, I reminded him how thoroughly I enjoyed the evening and appreciated what he'd done. His response was, "Well, greater love can no banker have for his fellow banker than he invites his very best customers to dinner to meet him." I said, "Well, you've described it well, and I appreciate it all the more. It was obvious they were your best customers, and also the leaders of this country."

But I said, "You know, there may be something worthwhile come out of this. Now, I hope that some of these gentlemen will give us some part of their business, but our really basic challenge here is to bring new business to Holland. I rather suspect that in the next five years, you might find that your bank has shared in some of the business that we've brought to ourselves and to Holland. It could be that at the end of those five years, we're both better off."

Well, he didn't quarrel with that, and so we said a pleasant good-night and thanks.

¹Bracketed material added by Mr. Peterson during the editing process.

It was about a year and a half later I was invited to a business reception one evening in New York. And in comes my friend from Amsterdam, also a guest.

LaBerge: What's his name?

Peterson: That was thirty years ago; my memory has failed. Of course, I was delighted to see him. And we got over in a corner in a hurry and had a real reunion. In the process, he said, "Rudy, you don't need to wait five years. We have more business now than we had, thanks to you." Those were the kind of associations with your competitors we wanted to build.

LaBerge: Now, most of the new business that you got, was it Dutch or was it from outside of Holland?

Peterson: Some of it was Dutch, but a good deal of it was outside of Holland.

Well, I think that possibly sums up our international activity by the end of the sixties. By this time, we had grown up, we had ninety-seven branches throughout the world, and as I said earlier, we had twenty-seven of these kind of affiliatedness-together organizations.

The Bank's Domestic Side in the Sixties

Innovations: Calling People By Name

LaBerge: We were going to start off today with other innovations you brought to the bank besides stock options.

Peterson: That's correct. When I came out to Hawaii, I discussed with the operations chief the possibility of a program of training tellers to identify the name of the customer and, at the proper time, to address the person by name. That could, of course, be as a greeting, or as a thank-you at the end of his transaction at the teller's window, or whenever it fitted. I've spoken about this before.

LaBerge: Yes, and when you say by name, you mean something like "Mr. Smith," not like "Joe."

Peterson: No, no--Mr. Smith. Not today's--this is 1950, when we called people Mr. and Mrs. [laughter]

Well, here I found no problem at all in the Bank of America when I suggested that. They immediately included it in their weekly meetings or whatever. Of course, with new tellers, it was part of their training program. This scene was pretty big, so you weren't necessarily stopped on the street, but you got enough reaction that it was new, and it was different, and got along well.

Innovations: Hostess and Red Carpet Setup

Peterson: Well, out of that, our advertising people suddenly said, "Well, why don't we have a hostess in these larger branches so people don't have to wander around to find who they should see?" So in the larger branches, we selected one of our more senior ladies; she acted during banking hours, which in those days were from ten to three. She was alert to anybody who she could help to the proper window or the proper desk or whatever, and that seemed to have gone over well. Of course, we limited that to branches that were fairly large.

Well, after I had gone, I understand that led on to the Red Carpet setup which here, of course, is the usual identifiable space with stations and ropes where people get in line. Each Red Carpet space will serve maybe five or six windows, so that you don't have to get in the wrong line at the wrong window. That seems to be still the order of the day. We don't have the hostesses, but after all, times do change in a matter of twenty or thirty years.

LaBerge: But that's such a help in itself. I know when I go to the bank, or like to the movies, sometimes you see a line and you're not sure if you're supposed to get in the line to get a ticket, or if you're supposed to get a ticket and get in line. It helps to have someone tell you what you're supposed to do.

Peterson: That's correct.

Small Business Enterprises Company and George Quist

Peterson: In the meantime, things were going on at home on the domestic side of the business. Even though my predecessor had built this

into a modern model domestic bank, there were a few things we found we could add. In 1958, legislation was passed that allowed banks to set up a wholly-owned subsidiary that would devote itself to helping develop, build small business. As a matter of fact, it was called the Small Business Investment Company Act of 1958. In 1959, we established the Small Business Enterprises Company, which of course became SBEC.

At the time, Mr. Beise decided to enter this activity very gradually. So, he made participation kind of incidental to the activities to the various loan supervisors and the chief, Neil Brogger. So, instead of looking for opportunities, it was pretty much a case of taking a look at whatever came along that fell into this category.

The unique thing about this was that this subsidiary could take equity positions as well as loans, so that you put up usually a substantial part of the initial capital, and also made appropriate loans that would properly go with it.

LaBerge: Was it headquartered in San Francisco?

Peterson: Yes, it was right here. As a matter of fact, it was just a part of the organization. It was legally separate, but of course, just kind of blended in the lending activity of the bank. And that established its limitations, because these loan supervisors all had other responsibilities. Identifying this activity was rather incidental to their full day's run of activity. And as a result, it grew very gradually in the first couple, three years of the sixties.

But it seemed to me that it had interesting possibilities. We'd never had the opportunity to supply equity. And, small business had always been our cup of tea. And so I discussed this with Tom Clausen, who by that time was our senior lending officer, and Al Rice, who was associated with him. We all agreed it could be exciting. Between us, we came up with the name of a chap by the name of George Quist.

I knew of him through the Roth family where he'd been the treasurer in one of their holdings, the Pacific Insurance Company. Their son-in-law, Jim Coonan, was the president of this, and of course, I had known them all from their Hawaiian activity with Matson Navigation Company.

So I called Jim Coonan and told him what I had in mind and asked him what kind of a job he had done. He said he had done a very competent job. There was only one problem with Quist, and

that was he was always alert and trying to find new ways to do things and new things to do.

LaBerge: [laughs] That was the problem you wanted.

Peterson: Then we knew we had our man. So in the next ten minutes, I sent word to George Quist that we wanted to see him. We were successful, and he joined us in 1965. With his arrival and a separate organization, things started to move in the SBEC so that in the next three years it became quite an organization. He had given us the impetus we needed. About that time he decided that he'd like to do this all by himself. He resigned, and established his own business. Most businessmen in the United States now know of the investment firm Hambrecht & Quist.

LaBerge: Right.

Peterson: With the start he'd given us and the people we had trained, we moved on and set up another very interesting record.

Incidentally, on a personal note, a couple of years earlier, my friend, Jack Merrill, who was a year ahead of me in Berkeley and went on as a Rhodes scholar, had spoken to me about his son who was in business school. The Merrill family had quite an establishment of properties they owned. So Jack said his son was graduating, he wondered if we would consider finding him a job in the mortgage end of the bank, where he could get two or three years training which ought to give him some preparation for handling the family properties.

So I said, "Fine," and I called in the personnel manager, who was then Frank Young's successor, and told him the story.

LaBerge: What was his name?

Peterson: Oh, Steven Merrill.

LaBerge: And what about Frank Young's successor?

Peterson: Frank Young's successor was Bill Breen. I told Bill the story of Steve Merrill and his father's idea that we should provide him the training in two or three years. Hence, I pointed out that if we lost Steve in a couple of years, we would know whose fault it was.

As it turned out, he wound up in SBEC with George Quist. By the time George left, Steve was one of the senior members of the group and ultimately became the boss man. By that time, we had 75 percent of the loan market in electronics in the Silicon

Valley despite our late start. Just to name four of the major companies whom we helped start: Memorex, Teledyne, Advanced Micro Devices, and Federal Express--quite a list!

To give an idea of what it meant to the Bank of America, in the early years, we started off with an investment of SBEC of about \$1.5 million. This amount increased as we moved through the first twelve or fifteen years with a total investment of \$2.6 million. At that point, it is estimated that the market of our share of the stock in these companies was \$141.6 million. A 20 percent per annum accumulated return of those fifteen years.

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LaBerge: I think I read someplace that Bank of America came into the electronics industry later than some of the other banks.

Peterson: We did. This is what brought us in. When I came here, I was quite concerned that we had lagged in electronics and didn't have our role. However, I was not the one who sent George Quist after the electronics business; he developed that on his own. We talked about it from time to time, but it wasn't something that I can take credit for.

Risk-Taking Activities

LaBerge: It sounds like you're more likely to take a risk on something that looks promising, that you would take a risk on electronics before it was proven possibly, than--

Peterson: Well, you see, I had grown up in the risk business. I had joined the Commercial Credit Company when it was entering a new business--financing the individual purchase of automobiles on the installment plan. After five years experience, they provided me with the equivalent of ten years experience in two years by straightening out multi-million dollar operations in Mexico. With the benefit of that background, the president of Commercial Credit Company decided that I was qualified to see if I could help get the Midwest in shape, out of the very depth of the Depression in the years 1932 and 1933. After a few years of calm and, hopefully, constructive building, Bank of America summoned me to participate in being the first bank in the U.S. to enter the entire consumer credit pattern as a major activity.

So it had been part of my life for a good portion of it. And then, of course, that's why I so enjoyed when Mario Giannini

sent me down to take over Allied Building Credits. It was in a mess, and here was a chance to revive old times and identify the problems and get them up to the surface. I'm sure years earlier it would have taken me much longer than six months to get underway. But here, it was just kind of--I needed no rehearsal; we just got right to work. But yes, I think that, through no fault of mine, I was willing to stick my neck out.

Decentralization

Peterson: Of course, risk-taking calls for the capacity to provide remedial action when the economic trend goes in the wrong direction. You will recall that when I joined the bank in 1936, we were just coming out of the vast agriculture depression throughout California. Over the recent years, this had called for a tremendous move of concentration in order to provide the expertise and supervision to rebuild a faltering economy. Hence, much of this management direction had to be centralized in headquarters (north and south).

So the result was that by 1936, this situation was well on its way, and I believe I mentioned that my new boss, Matty, suggested I sit in with some meetings that Mario Giannini was having. He was having a series of meetings with twenty-five or thirty branch managers daily, all day long. The gist of the meeting was to exchange ideas with each of these groups and find out how best we could return the business back out to the branch and our customers. I was so impressed. I sat in on two of those meetings, and he closed each one to the managers with a statement, "From now on, you are the bank in your community. You make the decisions. We are here, all of us, to help you with whatever you need to make that decision, but it's you that makes the decision."

That made a sufficient impression on me that when I came back, and we had come a long ways by 1960, but I did feel that we could still do something to get closer to the ground and the people. We had, of course, some 1,100 branches, and I felt that if we could bring supervision and even more important, collaboration with them closer at the management level, so much the better.

LaBerge: In other words, you were trying to decentralize.

Peterson: That's right. So we set up twelve regions.

At this point, I might say in the twenties, we did have districts in this state, so this was not altogether new or my imagination. With each of these regions, of course the regional manager and a small staff, they were available anywhere from ten minutes to less than an hour's drive away from each branch. We did this in two steps: one, we set up the region with its supervision in day-to-day operations, and once they were thoroughly established, which took a year or two, then we moved the lending supervision out there too. In other words, what we called the regional credit people moved out with the regional manager and got the activity closer to the ground of action.

Executive Enrichment: Pomona College and Harvard Business School

Peterson: [For some time, we had discussed together the merits of exposing some of our people to some sort of academic retreat into literature, history, and maybe a touch of philosophy. Even music was later included with a couple of nights at the opera in Los Angeles. We not only had in mind those on their way up into the management realm, but we had quite a few veterans who many years earlier had gone to work directly out of high school. Pomona College had such a program underway consisting of two weeks in each session. Hence, for several years quite a cross-section of our interesting staff members participated.]¹

LaBerge: And what about the Harvard Business School program?

Peterson: Tom Clausen, in 1966, was the first young man we'd sent to Harvard, and we continued that on with at least two each year to the thirteen weeks of summer session at Harvard.

Annual Planning Retreats

Peterson: Did I talk about the retreats? No, not yet. Something else we started fairly soon in the sixties was, and still continues here, is a two- to three-day retreat. I felt that the entire management group needed to sit down together and exchange ideas on our plans for the future. So as a result, we asked various individuals in the management to start thinking ahead of time

¹Bracketed material added by Mr. Peterson during the editing process.

about what they thought we should change, what we should create new--in other words, what should our program be in the next two or three years. And so they would come to this gathering armed with their thoughts, they would be torn apart and put back together again and discussed thoroughly.

So it was primarily an opportunity to not only exchange ideas and come to some joint conclusions on our plans for the future in management, but also I was anxious to build a feeling at both the management and supervisory level, a feeling that this whole thing is a joint venture. There's no one person, and least of all the CEO, that has all the good ideas. They come by building them up and from various people.

[These annual retreats proved to be very successful and have continued on for the ensuing thirty years. In the last two or three years, the board of directors has now also been included. Thanks to my heritage from A. P. that the CEO could remain on the board for life but on an honorary basis, I can come too.

During the bank's difficulties in the mid-eighties, we were fortunate to retrieve Tom Clausen as CEO inasmuch as his term as head of the World Bank had just expired. During this period, the management was not only preoccupied with the problems, but in the process of solving these had to bring in experienced people from Wells Fargo and other banking institutions. Hence, by the end of the eighties it was not the ensemble of the years past who had worked and grown up together within the bank. So, at the annual retreat in the fall of 1989, he had asked me to speak at the opening dinner.

He suggested I talk about the "good old days" in the San Joaquin Valley when I first joined the bank. I protested that the gathering would either fall asleep or walk out. We compromised on that I should try to describe the spirit of joint venture that permeated the organization whether that be interest in customer requirements, community participation, or sharing and cooperation within the organization itself.

Hence, I proceeded to review a number of interesting examples and anecdotes. Particularly, these typified the spontaneity in this organization. The kind of spontaneity that allowed people to utilize each other's talents without regard or concern for rank or title. Fortunately, when I was through, the audience was intact and there were a lot of questions. Tom Clausen's objective was to reestablish and develop this

atmosphere throughout. That of course had really been a major objective in the concept of the retreat in the first place.]¹

LaBerge: And so then you went again this year.

Peterson: Yes. But this time, I made Dick [Rosenberg] promise that I could listen.

LaBerge: And is it still at Pebble Beach?

Peterson: No. When I made this talk, it was down below Carmel.

LaBerge: Highlands Inn?

Peterson: Highlands, yes. These retreats are held in various places in both northern and southern California. Also the last two included the board of directors.

Well, I think the fact that it continues speaks for itself.

LaBerge: Oh, it certainly does. And now it can go--

Peterson: Oh, I forgot to mention that we later put a pricing committee into the retreat. I felt price was a very important ingredient, both from a profit standpoint and from a customer standpoint. This was the logical place to decide whether our pricing was right or wrong. So that was an element that was injected in the agenda before I left.

LaBerge: And didn't you establish that committee?

Peterson: Oh, yes. Yes, all of these functions we have talked about were set up during the sixties.

Well, we have one more, it's not quite three, so we have some time; you're not in a hurry, are you?

LaBerge: No, I'm not.

Bank of America Holding Company

Peterson: To be exact, October 7, 1968, we established the Bank of America Holding Company. During the sixties we had legislation that

¹Bracketed material added by Mr. Peterson during the editing process.

expedited this. So I was particularly interested in setting up this Bank of America Holding Company. There was no imminent problem, but we felt that as a bank, we would need with passage of time the flexibility that a holding company provided. With this enabling legislation, it made us less restrictive. It gave us flexibility we needed.

[In recent years, this corporate structure has of course become very important in the banking world. In the earlier stages, we primarily used it to finance leasing activities. It also provided an option in case the credit card activities would have been questioned in any way. However, that did not happen. Likewise there were times that equity situations might have evolved and be able to transfer this to the holding company.

However, when the savings and loan mess came along, it was a boon that permitted banks to step into the breach. With the holding company, we could cross state lines and of course broaden bank usefulness greatly. While this did not permit carrying the bank's name across state lines, there was no question of our right to readily acquire equities. Increasingly of course, the holding company with the expansion of banking and crossing state lines is becoming more and more a key factor.]¹

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LaBerge: You set up a subsidiary that put you in the leasing business.

Peterson: It put us in the leasing business, and we of course did not realize how fast leasing was going to substitute for lending on a vast scale. Then recently came the savings and loan crisis. The bank holding company was a godsend when that came along. We and other bank holding companies have been able to step in and pick up these savings and loans situations that were in reasonable shape, that might otherwise have gone down the tube. We now have the flexibilities that, if we set them up properly, we can convert some of them in due course into bank branches. This has at least mediated the terrible problem that we've had with the savings and loan situation.

[tape interruption]

LaBerge: Before we stopped, you were talking about the holding companies, and the fact that then you went into the leasing business. I was wondering what kinds of things you leased.

¹Bracketed material added by Mr. Peterson during the editing process.

Peterson: Today, and for many years now, leasing has particularly included sizable pieces of equipment like a million-dollar computer. As a matter of fact, IBM's leasing volume, I believe, approximately matches their outright sales volume. So machinery, plants, and heavy equipment generally has more and more been acquired via the leasing process.

Leasing has also provided a business with added facilities when their capital might not have justified outright purchase. There is also the situation when equipment is only needed for temporary use or for a short seasonal period each year. If the lessor can put it to work in two or three places in the course of a year, it not only provides more income, but accommodates the user at a more reasonable cost.

Building Bank of America Headquarters

Securing Extra Land

Peterson: Well, I may have some further thoughts later on, but I haven't even started with the head office here, which, after all, turned out to be a \$90 million project, so we ought at least not ignore it.

This started fairly early. It was conspicuous across the street that we owned almost a whole block which someday they hoped to be the headquarters. It was sitting there with a list of shacks along Kearny Street, of which half of them were empty. The shacks belonged to an Italian gentleman here who owned various pieces of property here in San Francisco. We had been unable, over the ten or twelve years we'd owned this property, to get Mr. Tiscornia to either give us a long enough term lease with an option to buy, or let us buy it, or whatever. He just would do nothing about it.

We did not own the attractive building on the corner of Pine and Montgomery, but the rest of the property we had acquired. Then there was Louis Lurie's little building, and that was no problem to talk Louis into that. So it was this strip that was holding us up, because we were perfectly willing, as we have, to leave the attractive building at the corner intact. Fortunately, later on, I was able to buy that from the insurance company, thanks to the persistence of Sam Stewart, who went back to New York and stayed there until he bought it.

But we had this strip of shacks. Finally, in looking for somebody who might talk to Mr. Tiscornia, I found that Mr. Wente, our former president, had known him for years. So I asked Carl if he would take him on, see if we could do something. He said, "Yes, I will." And first, Tiscornia insisted that they devote Saturday and Sunday to negotiate. And as Mr. Wente said, week after week after week, by Sunday afternoon he thought maybe he had a deal in the making, and by sunset it had blown up. This went on and on.

Thanks to Mr. Wente, however, at the end of a couple of months, he came in and he had negotiated an option to purchase which was complicated by an agreement that we would take certain legal steps. Mr. Tiscornia had no family, but he had a lot of relatives, and he was sure they'd all be trying to claim this the moment he died. However, between Sam Stewart and Mr. Wente, they arrived at a situation whereby if we followed certain procedures, after his death we would own it.

In the meantime, needless to say, the land rental we paid on that strip was really something. As it turned out, Mr. Tiscornia died before we finished the building. So we completed the acquisition.

Occupants for Extra Space

Peterson: In the meantime, once we knew we had the area so we could build, I of course talked with my predecessor, Mr. Beise, and wanted his ideas on this. Mr. Beise felt that--in view of the fact that with this area we would have a very large building--he felt it might not be good judgment to depend on filling this building ourselves. We probably would need considerably less than half and closer to a third of it. So he suggested before we commit anything that I see if I could get someone who would share the building with us.

We learned that Metropolitan Life Insurance Company was probably going to sell their headquarters up here on the hill where the Ritz-Carlton Hotel now is, and they might be interested in our new headquarters. So I met with them in New York on a couple of occasions, and they said they were interested, but they were not in a position to make a decision. The question in their mind was that, like we here, they had discovered these major computers; it could be that they might not need a number of regional headquarters. In that event, they might compromise on something less. So at the end of a few

months, they said that was where they'd come out, so I moved right along.

My next step was to see how big a problem it would be if we could successfully handle this ourselves. So I asked Mr. Coldwell of Coldwell Banker if he would make a survey and give us his best projection of what it would require in the market to fill this building, and what the return would be. His answer was, it would take three and a half years to fill it with tenants, and the return would be about 5.9 percent. Well, for a bank that historically had set as their objective a 15 percent return on their money, this didn't sound very encouraging.

So I sat down with the board and discussed this with them. I explained to them that in my lay judgment, I thought this estimate was probably conservative. I also felt that this being our original home where we had enjoyed such a predominant role, we might let some sentiment enter into this decision despite the lesser return on the investment. And to my pleasant surprise and deep appreciation, they went along with me on this and suggested we go ahead.

Architects

Peterson: So with that, I felt that we should do something really worthwhile. I had been tremendously impressed in my visits in New York staying next door to the Seagram's building while it was being built by Mr. Mies Van der Rohe. You may recall earlier that in our Time trip, I saw a good deal of Edgar Bronfman, who was now the CEO there at Seagram's. So I called him and arranged to meet with him for lunch to discuss this.

Edgar, of course, was very proud of their building as well, and the job that Mies Van der Rohe had done. He agreed that he would be an ideal choice. But he pointed out that he was ill, home in Chicago, of course, and that I probably would not want to wait or take the chance on when he recovered. As it turned out, of course, he was right. He never did get really well.

So with that, we got busy on alternatives. I asked about Pietro Belluschi, and he, of course, knew of him. He was then the dean of architecture at MIT [Massachusetts Institute of Technology]. He had redone the Pan American Building in New York, and of course, he'd been the consultant who I guess had done much of the planning of the cathedral in San Francisco, so

he knew something of that. The more I checked, the better I liked it, and even better after I met Mr. Belluschi.

In our New York meeting, Edgar also suggested that with something as complicated as a head office for an institution like ours, to have some flexibility as we moved along might be very helpful, and good economy. Instead of having all the plans complete and having a lot of bids and then finally award it, to work out the basic plan that you want, and then pick out your contractor that you think is just right, and make a participating setup with him. In other words, there would be an "outside" guaranteed figure on the building even before all the engineering is done. Then, under the contingency clause, you shared with the contractor whatever savings were realized.

So that was an excellent suggestion. I had in mind on the overall oversight of our architects who had been in that role for us over the previous seven or eight years, Wurster, Bernardi & Emmons. He suggested that, at least as far as the engineering is concerned--by this time we knew we'd be somewhere close to fifty stories, and we had nothing over thirty stories in San Francisco--that it probably would be wise to get some thoroughly experienced engineering, whether it be from New York or elsewhere, which was an excellent suggestion.

Edgar's final recommendation was that the longer you're willing to wait, the higher rental you're going to get, and the better return you're going to make on the building, and you may fill it up even faster. So that, of course, meant moving ahead until it was darn near complete and with all your money in it and maybe no tenants, was stretching it a bit. As I successively visited with sophisticated and successful realtor friends, I found unanimous endorsement of Edgar's deferred rental program.

But in any event, we put everybody to work to drawing, not only making the sketch plans so that we'd know what we were talking about, but also a model of the building. This of course became news all over San Francisco. The Chronicle had their usual talent come up with articles of what we were likely to build, and some pretty horrible things appeared in the news. So I wanted to be prepared for almost the worst when it came to the board of supervisors and the city planning commission.

Well, when they appeared with this model of the building, I must admit that at least from my point of view, it was delightful. Following the next board meeting, we had a little reception downstairs, and we had invited both the board of supervisors and the city planning commission to be there. So we

all looked at it together. It was very obvious, the enthusiasm had become contagious. So that part of my concern was over.

In the meantime, I had discussed the suggestions I'd brought home from New York of moving ahead, first with a contingency setup before the engineering drawings and such were complete, and secondly with the fact that we would hold off with any early commitments on rentals until the building was fairly well along. Fortunately for all of us, the board went along with that and left it to our judgment.

Design and Costs

Peterson: In the meantime, I had told them what my plans were for supervising the construction. I planned to ask Sam Stewart, who was our general counsel, to be one man of the team. In due course I would relieve Howard Leif, our veteran controller of the bank, to ride herd on while it was being constructed and the planning and the changes that were needed. The controller more than anybody in the bank knew our needs in physical facilities because he was kind of the chief operating man in the bank. He'd been here for years and he knew what the various departments would need in space to be efficient. It was a star choice. He also could talk intelligently with the contractor people, having been responsible for our real property all over the state. Then Al Zipf, the creator of our electronics, knew what was needed to tie in to all our electronics record-keeping and communications. He turned out to be another star choice.

Well, in the meantime, I sat down with Pietro Belluschi, and my first question was, what were all these windows at angles running up and down this tall building? His response was to the effect, could I imagine what a nice white or grey ghostlike building looming up in the sky, at least twenty to twenty-five stories above everything around it, would look like in the city? He pointed out that the difference a columnar effect moving up into the sky would make, particularly if those columns terminated at variable heights. Well, it didn't take him too long to get me to even understand that.

Then my next question was, of course, the problem of the construction cost, because of all these angles. At least I had understood that a straight rectangle or square was the simplest way to build something, and not have a lot of fancy angles to it. He said he agreed that it would be costlier. He said the

construction costs would be \$300,000 to \$400,000 more than if there were straight lines on the same square footage.

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Peterson: He pointed out that not only were we getting the columns, but after all, bay windows were born in San Francisco. So, in keeping with the environment he felt this was very appropriate and worth the penalty of probably 3 to 4 percent in the cost of space that we were using. So we went along with that.

Now the time had come to select the general contractors. Upon returning here from my visit in New York with Edgar Bronfman, I discovered that his concept of an early start and collaboration with the right contractor was going to provide another dividend.

We had a real downturn here in the construction world and nothing major in prospect until the transbay tube some two years away. Hence, we currently had a hungry contractor's world. The maximum combination of the guaranteed price and the sharing of a contingency sum was no problem. And the process Edgar recommended was welcome to all the top-notch groups.

Well, [laughs] a couple of them increased their deposits substantially. They did the same at Wells Fargo when that time came. Of course, they were good friends of men like Wente and some of the older directors in the bank, but I wound up, and everybody agreed, with Dinwiddie, who built the building.

So the result was that we wound up in about, I guess it was '67, ready to get underway. We had the contract and all complete. There was no problem ever with the city. I mean, they cleared the decks. We were making 50 percent of the land space open, so we were setting a new record on that score. I think they had one request, that we would not have anything commercial or shops on the first floor. With a fifty-two story building we had no intention of that anyway, which pleased the city. So we moved right ahead.

LaBerge: Who was the mayor then?

Peterson: The mayor was our friend, his daughter is now a supervisor--

LaBerge: [Joe] Alioto?

Peterson: Alioto. He was also very pleased.

Naming the Building and the Plaza

LaBerge: I understand you had some questions from Claire Giannini Hoffman.

Peterson: I did. [laughter]

LaBerge: More than some?

Peterson: This had nothing to do with the construction. This had to do with naming the building, and she wanted it of course named after her father. I don't know whether she had promoted it, but that request came in the form of a request from the Italian community organization. She was on the board, and I of course brought it up in front of the board with her there. I said my own reaction was that our people had felt, and we'd all agreed, that the Bank of America was the real name that we needed, with all due respect to A. P. and all that he had done. But, I would be perfectly willing to make a survey with the prospective tenants--this came up well after the construction was underway--how they would feel about it. And as I had expected, the tenants, half of them said, "Who the hell is A. P.?" and the other half said, "Well, Bank of America is the name that's going to be here, not A. P.," and so forth and so on. So when I made that report back to the board, there was no question about it.

But fortunately, Frank Murphy, the chancellor of UCLA--bless him--saved the day. He turned to me and he said, "I realize that you'd like to do something as far as A. P. is concerned." I said, "Well, we do have in mind that there would be an appropriate plaque of some kind on the main floor which would recognize Mr. A. P."

He said, "Well, what would you think of naming the plaza for him?" I said, "Perfect," and everybody agreed. We weren't so worried about Claire, she was raising hell much of the time anyway, but we did like to have the Italian colony feel good. So it's always been the A. P. Giannini Plaza. So that took care of that end.

LaBerge: I may have interrupted you when you were still wanting to talk about construction.

Peterson: Well, the construction moved along, and by the beginning of '69 --late '68--we had floors ready and were ready to move along. That's where Al Zipf and Howard Leif came in, because the manner in which we occupied that building as floors went up over six to eight months, gave us a tremendous head start. The executive

floor moved in in the late summer of '69. We were the final ones. We saved hundreds of thousands of dollars, I'm sure. We moved in such an orderly way that you hardly knew that anything was disrupted. So it worked out very well.

Dividing the Office Space

Peterson: Allotting space, of course, brought up a few discussions. The executive quarters two stories high on the fortieth floor seemed quite appropriate. However, tradition usually called for the trust department and its people on the other floor two stories high. We did provide them with an attractive floor nicely furnished with excellent elevator service, a few stories up. However, the second floor with its two stories and attractive furnishings was reserved for our international headquarters. This decision no doubt carried a measure of prejudice on my part, but I did want these inviting quarters reserved for our visiting bankers from all over the world.

The other question that came was my 3 percent loss of space on the fortieth floor.

LaBerge: Because of the windows?

Peterson: Because of the windows--well, supposedly we had lost 3 percent all the way in the building. But a revelation started with the fortieth floor, which was the executive floor. The more I saw of the floor plan, I got together with the senior officers and the executive officers and said, "Here, I think that with the recess you get in these windows, and the acoustics we have here, I'm not sure we need a whole block on each side of the building of private offices." So we laid out about eight private offices and left the rest of the space open. I told the rest of them, "If you find this is a problem, I'll be glad to fill in additional offices over a weekend so it will be no problem."

Well, by the time we had moved in and set up, several men with offices said, "If we knew it was going to be like this, we'd have skipped the office too." What happened, of course, was A, you sat back there in the window with excellent acoustics. B, you had your secretary right there in front where you could speak to her back and forth. And C, whenever you wanted to check with Jack or Bill or whoever, all you did was stood up to see if he was there. You didn't have to go into a series of telephone calls.

The result was, with that as a model we readily gained 3 percent in space, because obviously here a man and his secretary occupied much less than a private office would have taken. Others divided the windows if they needed private offices. But all through the building, there's a minimum of private offices.

We were also learning how sound was the advice that had been given us about deferring rentals. When we started to move in late in 1968, we did not have a single lease signed. By the time we were all settled, we had around 80 to 85 percent of the building with signed leases. As a matter of fact, it was about the time we moved in that Howard Leif called me and said, "Rudy, you can relax. I've just added things up, and you now are guaranteed an 11 percent return on your investment." Not much later, I checked with his successor, the controller, and it was then up to around 14 or 15 percent.

The Coldwell Banker survey had set a suggested rental rate and a sizeable figure for concessions to attract tenant prospects. We started off with their rental rate. By the time we had finished the building, we had raised the rental rate three times and made no concessions, and that's of course what made the 11 percent right from the start.

LaBerge: So it took about two years to build?

Peterson: About two and a half years. Actually, nature was kind, the Bank of California had run into a couple artesian wells when they built. We were delayed because of, we found out that our foundation, when we got down a bit, was a hard, very heavy stone platter. So the result was that we had tougher drilling, but we had fewer--what is it you call that goes down?

LaBerge: Oh, I do know. Piles?

Peterson: Piles. We had many fewer piles than we normally would have had. So it worked out well.

Top Floors

Peterson: In the meantime, our trio had decided that they'd like to have a club up on the top floor, up there on the fifty-second floor where you can look around. We agreed, and so they had preparations made for a club, and brought out an outstanding restaurateur from Philadelphia. We got off to a good start in a very attractively arranged setup in which we guaranteed to cover

any loss within two years. The bankers' club was in the black almost from the start, and we relaxed.

The second measure up there was a little more contentious, at least with me, and that was facing the Golden Gate and Marin County, they wanted a two-story directors' meeting room. In other words, there the room was on the fifty-first floor, but we went right up past the fifty-second floor to have these tremendous windows and this gorgeous view on the Golden Gate. I said, "We can't afford that just as a directors' room, but if you will combine it with an officers' lunch club where we can bring our guests from various parts of the world for lunch, fine." Well, reluctantly they agreed with that, and so we opened it with that.

It turned out I had laid another egg. The officers and their guests would a lot rather go into the bankers' club where there were more people. However, with that, we made it available to community groups who would like to have dinner parties and could use it at night. That's been a tremendous hit, it's been very popular, and some lovely parties are held there. And of course, our Bankers' Club likes that because they feed that many more people, and do better financially because of those private parties.

LaBerge: Where is the Carnelian Room in relation to that?

Peterson: Carnelian Room is the main dining room where the club is. And of course, it's open at night to the public. It's turned out to work out very well, and it's very popular.

[I have made no mention of the generous plaza which covered half of the setting and as such enabled the building permit to allow for a record fifty-two stories. While obviously extensive planning for this large area would be necessary, I had confined myself to two requests. A flower stand, old-fashioned San Francisco shoeshine stand, and a decorative water fountain with some sort of flowers around. The flower stand and the water fountain remained there. (However, the water fountain was eventually removed as the wind factor was too great for the spray.) Those with better taste successfully eliminated the shoeshine stand.

However, as more thoughtful planning moved ahead, the suggestion of an appropriate piece of art gained wide support. As a result Masayuke Negare, one of Japan's outstanding sculptors, was commissioned. In due course, he came to San Francisco with a miniature of his suggestion. I had asked three

of our prominent citizens in the art world to assist us with a decision.

The five of us met one evening to review this with Mr. Negare and after some discussion, I left them assuming it would be a long evening of pros and cons. Instead, I learned the next morning that an enthusiastic and unanimous approval was reached within a matter of minutes. However, the unanimity did not last long. The lovely marble monument "Transcendence" apparently is more frequently known as the "banker's heart."]¹

I guess the crowning one I can't help but brag about. I was with a couple veteran architects, one of them from the East. We were talking about the building a bit within the last year or so, and one of them spoke up and said, "Rudy, there's no question but you have the number one building on the West Coast, and as far as I'm concerned, it's awfully close to number one in U.S.A."

Los Angeles Headquarters

LaBerge: What about the Los Angeles office?

Peterson: [While we were getting underway with our new headquarters building, it had become increasingly obvious that we needed a more adequate southern headquarters in Los Angeles. To that end, we had acquired a sizeable piece of property for the site of the new building. About that time early in 1968, Robert Anderson, CEO of ARCO, came by for a visit here in San Francisco. He had recently (January 1, 1966) arranged a merger between his alma mater, Atlantic Refining Company with headquarters in Philadelphia, and Richfield Oil Company here on the West Coast.

The merged company, ARCO, was now headquartered in the old Richfield building in Los Angeles. Meantime, it seems that ARCO had been busy acquiring the property in the rest of the block. His proposal was to clear the property of all structures including their own building. This full block would provide adequate space for two towers and a large attractive plaza. His proposal was, why not form a partnership and together build the two towers, to provide each of us with ample headquarter facilities?

¹Bracketed material added by Mr. Peterson during the editing process.

It made such good sense to both of us that within a matter of a half hour's discussion, we shook hands. In due course, we disposed of our old site and put the proceeds into the partnership and an agreement was drawn for fifty-fifty participation throughout. Consistent with our discussion, the outline of a partnership agreement itself was drawn which was a page and a half long, consisted of eight paragraphs, most of them confined to one sentence. Again, all in keeping with our thirty-minute discussion.

The net result over the ensuing two-and-a-half to three years was two fifty-one story towers, each housing ARCO and Bank of America, and named accordingly. The two towers were joined with an attractive one-story structure which housed the bank's main downtown branch. The multi-basement level underneath provided at the first level a modern shopping center. Below that of course was a garage and three more levels.

All this was completed and officially opened in 1972, as started, without a dispute or difference of any kind. It was quite a partnership, something over \$140 million worth. It continues on happily to this day.]¹

Personnel

Lou Lundberg

[Interview 11: September 2, 1993] ##

LaBerge: Today we were going to possibly finish up with the bank and people you worked with you felt were key.

Peterson: All right. Yes, there were a number of very key people in the management setup that I had not mentioned. The first of these was Lou Lundberg, who was elected chairman of the board about a year after I returned here. He was also the son of Swedish immigrants up in Montana. Lou, after graduating from Stanford in 1927, had spent the ensuing twenty-seven years, until he started with us in 1954, his time divided in key assignments with both the state Chamber of Commerce and the San Francisco Chamber of Commerce. About five or six years before he joined us, he returned to Stanford in an administrative role.

¹Bracketed material added by Mr. Peterson during the editing process.

He joined us, as I mentioned, in 1954, in charge of public relations. We needed somebody who was thoroughly sophisticated at that time because we had just lost by retirement two very outstanding persons in our history, Lou Townsend, who was in charge of advertising, and Fred Yates, who handled public relations and that general area for the bank. Both starting in the thirties had created history in this bank, and in banking.

In the thirties, it was much more fashionable to advertise by showing a picture of your bank and putting the name underneath it, rather than talk about what services you were ready to render the public. With Lou Townsend particularly, he's the man that innovated the concept of marketing bank services. He had been such a master at it that he had really made history all the way through.

So fortunately, Lou Lundberg had as his partner an understudy, a young man who had been working for Lou Townsend for many years. He happened to be the son of Lou Townsend's predecessor. Charlie Stewart's father had, in the early A. P. days, been in charge of advertising and public relations for the bank when it was just getting underway. Needless to say, as it turned out, Charlie Stewart continued in this activity to do a fine job.

LaBerge: Is he a relation to Sam Stewart, who is general counsel?

Peterson: No. Sam came a bit later.

LaBerge: Okay. So they came in the fifties, and then they continued on for you?

Peterson: Yes. In other words, Lou Lundberg had, by the time I arrived in the beginning of the sixties, had begun to turn over the public relations to a younger man who turned out to be very outstanding by the name of Jim Langton. I asked Lou to move to southern California and really become the senior administrative officer of southern California. The reason for that was that I wanted him to get ready to take over the chairmanship, which he did within a matter of months later.

Historically, for quite some years, the chairman of the board of the bank had been in charge of southern California. Jesse Tapp, well known, who joined the bank during the early fifties, had been one of the outstanding authorities in Washington and to some extent in academic activity in the world of agriculture. Jesse retired about a year after I arrived, about the end of 1962, and Lou Lundberg then took over southern California.

Lou also kind of handled, in view of his background and his abilities, to a considerable extent the activities and relationships that had to be maintained not only with community organizations but government organizations, both state and national. So that while he was keeping his eye on southern California and sitting in on our major decisions, and of course, a member of the management committee, he kind of relieved me to a great extent of much of that activity. It was terribly important in view of the fact that in those earlier years, to building the international end, I was away so much from the United States. So here was someone that government authorities and others could look to in their relationship with us. Lou did a very fine job and made a real contribution.

LaBerge: When he became chairman of the board, did he still stay in southern California?

Peterson: Yes, as a matter of fact, I sent him to southern California to get ready so he would know many of our key relationships and vice versa. Jesse Tapp had been doing the same thing for Clark Beise, as well as me of course during his tenure.

LaBerge: And then did Jim Langton or Charlie Stewart do the public relations?

Peterson: Yes. Between the two, Jim Langton handled the public relations end, and Charlie Stewart handled the advertising. In other words, it was the same combination pretty much as we had with Lou Townsend and Fred Yates in earlier years.

Frank Young

LaBerge: So did Jim Langton, for instance, have to do a lot when you had the CORE demonstrations?

Peterson: He did a great deal of work on that score, and did it very well. However, the real key there was Frank Young, because it was Frank Young who was head of personnel relations when this started. He was the one they met with, and he held the meetings with the CORE representatives, and naturally, the press was very anxious to talk with him. He was the key man in that whole CORE experience, that lasted about eight, ten months.

While I'm on the subject of Frank Young, let me say that he exceeded my fondest hopes. We all might want to take credit for that period, bringing the whole organization into the picture.

I of course was anxious to make this an organization where management as well as people generally participated and felt they were part of it. This was harking back of course to my days in the thirties in the San Joaquin Valley which we've already talked about. Frank did this by getting everyone involved, and as the former personnel manager, he was well equipped to do that. Everybody knew him and he knew them. In turn, I had always felt that I wanted management in a larger organization to be a team concept.

In the football vernacular, I guess I was nothing but the quarterback. We met together. Any basic policy decision or any program of any substantial substance was a joint management decision. As a matter of fact, the management committee that met every Monday afternoon was really put to work, because that's where the decisions came. Some of the meetings were pretty late, because I didn't like to adjourn until we all agreed.

This is where Frank made such a contribution. His was not only confined to the meeting, but he understood and could help implement the concept. He encouraged individual members of management to in turn consult with their people and be sure that this was something that everyone was enthusiastic about. And then the decisions on what we were going to do came out of the management committee; it was up to the members of management responsible for that activity to implement it.

Management Committee and Board of Directors

LaBerge: Is this a good time for me to ask you more about the management committee?

Peterson: Yes, excellent.

LaBerge: You said that it met every Monday. Can you tell me who was on the management committee, which officers, and how many? You wouldn't have to give me names, but maybe generally what their responsibilities were.

Peterson: Yes. Naturally, the chief of the legal department, the head of the legal department, was on the committee. The two men who headed up the international activities, Joe Carrera and Roland Pierotti. Al Zipf, who was of course the man who had built the entire concept of the computer setup, and succeeded Joe Carrera as head of not only the computer concept but all operations

throughout the organization. The head of personnel department. The senior man on loans, loan policy and major loan decisions. The head of the trust department was an important key in the decisions.

[tape interruption]

LaBerge: You had mentioned the head of the trust department, the senior man on loans.

Peterson: Head of the trust department. Also, in the last half of the sixties, I had an administrative officer who was kind of senior over activities generally, operations--as a matter of fact, Sam Stewart really was the man who took that over, who had been our general counsel. And also, I should mention that the senior man, the job that Lou Lundberg once had, and he of course was on the managing committee as chairman of the board, and the job he had of overall relationships with major clients and corporations throughout the country, was also on the management committee, and I think that concludes it.

LaBerge: Okay. So the chairman of the board was a member of that.

Peterson: Right.

LaBerge: And otherwise, was the board an advisory--I guess I don't know what the different functions were.

Peterson: No. The management naturally--if these were basic policy decisions that were reached, they then went from there on to the executive committee of the board of directors. If based on their conclusion, I would say that 90 percent of anything that needed to go to the executive committee went on to the board of directors. However, the purpose, of course, of the executive committee was from a timing standpoint, we did not need to call the whole board in if we had a major decision to be made in between monthly board meetings. The executive committee fulfilled that. But normally, we did not have to call many special meetings of the executive committee; our managing committee had not only the authority but was strong enough that they made most of the decisions. In turn, policy decisions, of course, did not have to be made official in the next ten minutes. They could wait for the next executive committee meeting usually. And, the executive committee was there for emergencies.

LaBerge: Okay. Can you tell me who was on the board of directors?

Peterson: Of?

- LaBerge: Of the bank. Does that include the retired executives? Is it outside people?
- Peterson: Yes, good question. The board of directors consisted of, of course, the chairman, who was a full-time, active part of the organization, and the president. But other than that, they were other people--like the retired CEO for five years. Later on, the retired president was left on for life, which includes me. The rest were outsiders, the majority of course were outstanding business leaders from various parts of the United States. Normally at least half of them were from California. And occasionally we had a university president or somebody that was educated and literate from those circles with us.
- LaBerge: For instance, a decision as to who was going to be the next president, did the management committee make that, or did the board--was it combination of the management committee and the board decided something like that?
- Peterson: The final decision was, of course, up to the board. But the board set up their own committee for the preliminary discussions with the management.

Training Management

- Peterson: That leads us to my succession. When I returned here from Hawaii rather early in the course of events, the board wanted to know what I was going to do to assure that they didn't have to go to Hawaii or somewhere else in the world to get their next chief executive. So I assured them that I would not only have a successor to name, but I would try to give them a choice.

The result was that I rather consciously started fairly early in the sixties to identify people who might be interesting, not only for increasingly senior management assignments in the institution but among them might be one or two or three who might be candidates. So with that, I proceeded to move various people around, such as Chaunce Medberry, who was our senior credit officer in southern California. I had brought him up to San Francisco, and for several years he ran the trust department in a very outstanding manner. Tom Clausen was one of the senior lending officers in southern California. We brought him up here and made him a senior officer with not only lending but corporate relations out of northern California, out of San Francisco. And one of his colleagues later was brought up from

southern California and made the senior officer in charge of all lending--ultimately, all lending worldwide.

LaBerge: Who was that? Al Rice, or--?

Peterson: No. Lloyd Sugaski. Al Rice was also a candidate.

At the same time, I was naturally alert to interesting young men who might be interested in joining us and seemed to fit in, and who were already fairly senior in the banking fraternity. That's where I got Bob Truex, who had spent time with me in Hawaii as the representative of Irving Trust of New York, and I had sensed that he and his family might like to--

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LaBerge: You sensed he might want to leave New York City.

Peterson: He was then a young man crossing into his forties, and I had actually identified future management of one of the Big Five in Hawaii as something that might be interesting, and talked with him about it. The chief executive there was getting ready to retire, so he thought about it and decided he thought he would rather stay with banking. So the result was after I had been here a bit, I talked to Bob about coming and joining us, and he took over the administrative international unit out of southern California. In other words, we had one there, as well as we had one up here in San Francisco.

Later on, there was a consolidation in Houston of two banks, and the smaller of the two was another young forty-year-old by the name of McLean that handled that, and we brought in Bill McLean. These men were moved around after two or three years into varied assignments so they'd be familiar with the bank. For example, in Bill McLean's case, it was obvious he was not going to be a candidate for the number one job, and I questioned that he necessarily would be for the number two. I knew that was the type of thing he wanted. So when I learned that there was an interesting situation developing in Oklahoma with one of the, I believe the largest bank in Oklahoma, I put him in touch with that, and he was familiar with it also, and rather encouraged him. Shortly before I retired, he took over the assignment and made a tremendous success. But that was--it was obvious, at least I thought, that this was the size of operation that was perfect for him as number one. Ours did not just fit.

Suggesting Successors

Peterson: But that was--the process was not only to get incidentally candidates ready for succession, but also to--this helped identify their ability, and out of this came some key placements in more senior assignments within the bank. It was part of our way of building our management, and also ascertaining their abilities, utilizing them to the maximum extent.

And incidentally, [laughs] it might have been a little more extensive than it would have been otherwise, because as you've gathered, I met from time to time with Joe Cushman, the chairman of the board of Sears Roebuck, who seemed to be particularly interested in the bank. Understandably, his interests might even have been intensified somewhat from the fact that in his earlier years he'd been in charge of the West Coast, and we were their principal bank out here. So he had warned me, "Don't line up one or two, because then the board may take it out of your hands. Keep them a bit confused by having several possible candidates, and don't identify any one or two in particular."

So by the fall of 1969, I was ready to sit down and discuss succession with the board's committee which had been given that assignment.

LaBerge: Was this something different from the executive committee?

Peterson: Yes. This was a special committee for that purpose. I should answer your question this way: the board has a personnel committee on salaries and personnel relationships in the bank, and my recollection was that committee was asked to take this over.

I gave them three candidates: Sam Stewart, who for some years had now been the senior administrative officer in the bank. Prior to that he was our general counsel. Clarence Baumhefner, who was our cashier and money man. He handled our financial problems, if any, and our plans and programs. I think I could say that he was recognized as the number one banker in that capacity in the United States. He was respected by not only the major corporations but even the New York banks. And, Tom Clausen, who by that time was our senior officer in charge of loans and credits throughout the world.

I reviewed the particular abilities of each of these three with the committee. I pointed out to them that Tom Clausen, as a candidate, would be setting a drastic new precedent, as chief executive officer at age forty-seven. No one had ever been in

that position that wasn't well along in their late fifties. Both the other two candidates were fully qualified by age and by experience. As a matter of fact, both of them probably at the moment knew more about banking than Clausen did. However, I felt that Clausen five years from now would not only be ahead of them but would potentially be one of the outstanding bankers as such, and that he was respected not only within the organization, but throughout the country by our major customers, to the point that there would be no question that he would have the confidence of whoever he dealt with.

So the committee unanimously agreed that Clausen would be the selection they would recommend. There was considerable discussion on the board. There were two or three members of the board who were a bit concerned about his youth--not his experience, that had been very extensive. But the decision was, I think, reasonably enthusiastic and entirely unanimous when the vote was taken.

One little anecdote: as we walked out of the meeting, Carl Wente and I were walking out together and Carl said, "You know, Rudy, I've known you for a good many years, and I've always respected your judgment. But this time, I think you laid an egg." I said, "That's quite possible." He of course referred to age in this case, and I knew that he had--and rightfully--a tremendous respect for Sam Stewart. Sam Stewart had been the young man who fought our situation when he was still in about his forties in Washington the first time that the U.S. government and the Federal Reserve Bank decided that Transamerica and Bank of America were too big and too aggressive and all that. Of course, that went on for years, and so understandably and rightfully, he had tremendous confidence in Sam.

It must have been about a year later, I of course had not gone on to the United Nations yet, was still here, I received a message that Mr. Wente wanted to see me. Well, on my way--he was in the building, so on my way back from lunch that day I dropped by to see him. He said there was no hurry, I didn't have to rush. I said, "No, I just came back from lunch, and got your word." He said, "This wasn't important. I just wanted to tell you that I have been watching your successor, and I just wanted to tell you, I think I laid the egg." [laughter] But that was the only serious dissenting vote I knew of there--not a vote, but dissenting opinion, and so it was encouraging to see that my candidate had qualified within the first year.

LaBerge: One thing that Tom Clausen mentioned when I talked with him was that one of your styles in conducting meetings--he said first of

all that when you had a meeting, decisions were made. It wasn't just to have a meeting to talk, that a decision came out of it, and that you were very good at producing unanimity, and keeping at it until everyone did agree.

Peterson: Well, that's why we had late managing committee meetings. [laughter] Well, maybe it was wearing them down. I hope, though, it was mostly convincing.

The Bank in the Seventies

Peterson: Well, in retrospect, I have talked a good deal about the international developments in the bank, and obviously at least implied how proud we were, because it was a collective effort starting pretty much from scratch. At the end of 1969, we had gone from just over \$11 billion in 1961, the end of '61 when I arrived here, to over \$22 billion in deposits in nine years. Of that \$22 billion, well over \$5 billion were international deposits, compared to a very nominal amount in 1961. Those deposits and relationships were now coming from our activity in seventy-five countries and territories throughout the world. So we felt we had gotten a pretty good start.

But it was very interesting as time moved on to ascertain that we had only really fairly gotten underway. Ten years later, at the end of '79, the bank's deposits were over \$84 billion, and the real phenomenon was that half of those were international deposits. Over \$40 billion. So as you see, we had kind of been pikers, but at least we'd laid the right groundwork. So Mr. Clausen and his gang had really taken over.

However, I had been prepared for this, because by 1975, banks, particularly on the international scene, were having problems. The two leading banks, Citicorp and Chase Bank, were both reported--nothing to threaten them as banks, but having very real problems and some sizeable losses. I was still the chairman of the executive committee, so naturally I was very concerned about our position. We had moved ahead, as I have mentioned from these earlier figures, pretty handsomely, and I was fearful that we might have ourselves stretched our activities a little beyond the soundest proportions.

So I asked for some reports at one executive committee on our international loan portfolio, particularly on our loans to governments and governmental institutions throughout the world. Needless to say, I felt much better when I learned that we had

one government institutional loan delinquent, and in that category. That was Zaire, in Africa. So that it was gratifying to see they were still following a sound constructive path in their lending activity throughout the world.

LaBerge: When we very first talked, before we ever taped anything, you mentioned that you thought banks in general were expanding too quickly, I don't know if it was in the seventies or in the eighties, into the international scene.

Peterson: They were in the seventies. Morgan was always pretty careful, but Citicorp and Chase and Bank of Boston, those who had been in the business for many, many years before we ever arrived, were having real problems. I should say that, could add that, there was no question that Bank of America at that time was the number one international bank, conceptually considered that throughout the business world. That was a little--that was maybe in some small part due to Chase's and Citicorp's difficulties, but I also think that it was due to the position we'd earned because of this, as the earlier figures indicate, we'd expanded pretty broadly and were reasonably well known everywhere. So my dream had come true: by '75, we were called a world bank, without question.

The Cost and Price Committee

LaBerge: Could you say something about some of the other committees? I guess I read that you established the cost and pricing committee?

Peterson: The cost and price committee, yes.

LaBerge: I just wondered what that was and how you decided to add that.

Peterson: Well, the cost and pricing committee came out of my concern with our expanded activities. Well, I guess it came out of my concern over a number of the new types of activities we had added, that we should be certain we were covering our costs, and maintaining a reasonable profit. And secondly, that at the same time, we were being competitive. There's such a thing as waking up and suddenly finding that you had been doing reasonably well and in the meantime, you had been maybe doing a little too well. All of a sudden somebody else has quietly moved into your area and is starting to whittle away, and once the momentum starts in a given direction, it's sometimes rather difficult to stop it.



Retirement dinner, December 30, 1969. Clark Beise, Rudolph Peterson, Carl Wente, Tom Clausen, Louis Loindberg.

LaBerge: Would it be the same with the money and loan policy committee? That if an issue became that important, it would go to the--

Peterson: We always had the credit policy committee for policy and major loan situations and the loan committee for everything above individual limits.

[This had been a lively and exciting decade thanks to the initiative and enthusiasm of our team effort. We may have made a few mistakes along the way, but fortunately they had not had time to become very prominent. However, at least one particular initiative of my own proved to be quite a "boner." At one stage, I had decided that we had passed the point where we needed checkers to check the checkers. Virtually inherent from the start there had always been a credit review group who, as the name implies, analyzed and reviewed the history of the loans that had already been made. I concluded that this was simply superfluous. Hence, this department was disbanded.

In due course, my successor, Tom Clausen, found it quite necessary to reestablish what I had discontinued. As a matter of fact, essentially, this precautionary measure is still in vogue but such reviews have been consistently reduced to a more selective basis. There no doubt had been other mistakes along the way, but fortunately they weren't quite this conspicuous.]¹

Policy on Outside Boards

Peterson: Well, naturally now that I was idle and had nothing to do, it was an opportune time for others to put me to work. That situation was possibly accelerated a bit by the fact that historically, as a matter of policy, senior officers including the chief executive normally did not sit on outside boards. That might have been a bit outdated, but it was a heritage from the A. P. days. In other words, the feeling was that a), running this bank was a full-time job in itself; you didn't have very much spare time, and b), if you sat on the General Electric board, well, maybe Westinghouse would be concerned that you'd be leaning the wrong way. More importantly, that would be true if

¹Bracketed material added by Mr. Peterson during the editing process.

very much spare time, and b), if you sat on the General Electric board, well, maybe Westinghouse would be concerned that you'd be leaning the wrong way. More importantly, that would be true if it was some smaller organization that their competitors might be discriminated against. At least, that was A. P.'s theory.

So the result was that A. P. sat on the Fireman's Fund board. I think that was because they wanted him there, and he felt he could be useful in the early days. Of course by the time I came along it was quite a bit bigger than it was in the early 1900s. However, that exception had been made, and Carl Wente had sat on Fireman's Fund board. So when it came time, because of age, for Carl Wente to get off, I was asked if I wouldn't succeed him on their board. So that was the one exception.

Technically, I was also on one more board, and that was Time magazine. A year before I retired, I had known the chairman and the president well, and been with them at various gatherings. They had no one from the Pacific Coast, and would I come on their board. I was about due to retire anyway in a few months, so the board agreed readily I should accept the invitation.

XIV OUTSIDE ACTIVITIES

Alza Corporation Board

Peterson: So quite a few invitations came in during the early seventies, the first year or so that I was retired. One was Alza Corporation, which Alex Zaffaroni, quite a famous chemist by then even, was setting up. He had visited with me at lunch and talked to me during '69 about it, and so when I was retired, he asked if I would join it.

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LaBerge: We were talking about Alza Corporation.

Peterson: The concept that Alex Zaffaroni had in mind for Alza was that they would develop through vacuum suction chemicals a delivery system of medicines whereby a medicine would be delivered gradually over a long period of time.

LaBerge: Oh, I know what you're talking about, like time-released?

Peterson: That's right. In other words, instead of taking a pill every four hours, and getting a big shot, and then dropping down, there would be a form of time-released device. Within this pill was a very delicate mechanism, so that you would take this orally and it might deliver medicines depending on the type for a full twenty-four hours, or in some cases, a full week. It would not only be orally but some medicines would be delivered from a pad through the skin.

His first idea was the progestisert. Have you heard of that?

LaBerge: No. Progesterone of some sort?

Peterson: That's right. And the doctor would place that with the lady, and that would be a perpetual contraceptive for a year, but of course, could be removed at any time. There was nothing surgical about it. And we still have progestisert on the market, but it was something short of a big success. The concept has now, over the ensuing twenty-odd years, become the leading drug delivery system in the world. We have products from Merck and the various other drug leaders. And as a matter of fact, we in the process have developed out of our research several products of our own.

But in any event, it's been interesting to follow it because at least on two occasions, we thought we saw a failure financially with the costs of developing this looming, and then someone from the medical world would have to give us a hand financially.

LaBerge: So are you still on that board of directors?

Peterson: Yes. And in recent years, we have an ever increasing number of various medicines utilizing our delivery system. We get a royalty on all of that from the medical firm concerned. I mention it because it was touch and go for several years. We didn't know whether we would continue on, and now we are number one in that area of medicine.

Other Board Participation Since Retirement

Peterson: Well, then here on the coast, I was asked by a number of organizations and agreed to join Carter Hawley Hale, and two of the three Kaiser organizations, and Standard Oil of California, which is now Chevron.

LaBerge: This was all at once, you were on all of these boards at the same time?

Peterson: Yes. They came along one after another. And then with headquarters in Chicago, Consolidated Foods, which is now Sara Lee. And then Communications Satellite Corporation, which is in Washington, D.C. All of them have their monthly meetings, so that I was reasonably busy in the interval.

And then, of course, the University of California was setting up their foundation. It's now the Berkeley Foundation, but it had another name at that time. As a matter of fact, the Berkeley Foundation was the California Alumni foundation when it

was founded. So for several years, I was on the board when that was founded. Then Cal Tech decided I should visit Los Angeles every month, so I was on that board. And Ernie Arbuckle, to keep my interests varied, asked me to join the advisory council of the Stanford Graduate School. Incidentally, that was also during the latter years of my active period in the bank.

Well, there were also the usual community activities, such as the California Academy of Sciences out here in Golden Gate Park, and the Council of Americas, and the Committee for Economic Development. So all together, the agenda was pretty well filled.

LaBerge: That's for sure. Now, I understand you have an anecdote about the Academy of Sciences, possibly. The board of directors meetings?

Peterson: Yes, well, actually, I'm going--[laughs]

LaBerge: Are you going to go into that?

Peterson: I'll go into that, but a little later on, I'm going to--maybe not today. There's a good deal more to the Academy of Sciences, because when I came back from U.N., they asked me to become really involved. I was just another director on the board prior to the U.N. assignment, so I thought I would cover that in a little more detail.

President's Commission on the Postal Organization, 1967-1968

Peterson: About that time, I was also finishing up an assignment on the President's Commission on the Postal Organization. Congress had requested the president in April of 1967 to have this study made, and in early 1968 we were on our way. So we were just finishing it up about the time I was getting ready to retire.

The real crisis that probably brought this to a head was that in 1966, the Chicago post office was closed down for three weeks. They just were unable to deliver mail. The backlog, we were told, was something over 10 million pieces of undelivered mail accumulated before they were through. It was such a crisis, and you can imagine the area involved, that this really brought it into focus. Actually, the post office of course had been run by the government, and it had been with a substantial deficit in fifty-two of the previous sixty-nine years. The last ten years prior to this, it had a deficit of \$8 billion, and the

deficit was running in '69 at a rate in excess of \$1 billion a year. It was estimated in another ten years it would be up to \$2 billion. So even Congress decided this was critical.

LaBerge: Was the Chicago post office problem related to a strike? Because I remember a post office strike sometime in those years.

Peterson: No, it was just confusion. That was not the first confusion, but nothing as big as Chicago had happened, and that's the only reason I mention it.

President [Lyndon] Johnson appointed a commission of ten people, and six of us were CEOs. Fred Kappel, the chairman of AT&T, was asked by the president to function as chairman. The others were men like Fred Borsch of General Electric, Ralph Lazarus of Federated Department Stores, Irwin Miller of Cummings Engine Company, and Beverly Murphy of Campbell's Soup. In addition to those, we had George Meaney, president of AF of L-CIO; George Baker, the dean of the Harvard Business School; and David Bell of the Ford Foundation, and who had headed up our foreign assistance, A.I.D. [Agency for International Development], throughout the world.

I go into this because, as you can see from this combination, the size of the crisis and the participants, made for a pretty interesting year of long one-day meetings. The Congress had recognized that this would be a tremendous assignment, and so had of course set up a substantial budget. They had given us the necessary authority to do a job that was going to be a truly major one. For example, each director was authorized to select an assistant, because obviously men such as I've mentioned did not have time to spend a couple days a week on something like this, and that would be necessary.

LaBerge: Whom did you select?

Peterson: I selected Frank Dana, who had been our administrative chief in the bank prior to Sam Stewart.

The real hero of all of this was a Murray Cumarow, who was executive director of the Federal Power Commission in Washington. It was a very major semi-government organization. He, of course, knew his way around sufficiently that he was able to gather together an organization of really outstanding young men. Many of them had to be technicians because of the studies we would need.

While I won't attempt to go into the agenda of that full year, and these regular one-day meetings we had, some concept might be indicated by pointing out the people we had to make

surveys of the post office, so that we could ascertain where the problems were and what needed to be done. Price Waterhouse, they were assigned the problems over financial management. Robert R. Nathan Associates made the studies of what we had ahead of us by way of personnel and labor relations. Foster Associates made studies of rates and rate making. Ernst & Ernst were assigned to cost accounting, and the functioning of the postal service. The overall contractor that was to supervise these people was Arthur D. Little back in New England, and along with that, were given the assignments of both marketing and technology.

But the real hero who, as I said, was Murray Cumarow, who assembled and structured this group of talented men, and women, who had to assemble this, put it together, and come to us and interpret it, and give us ideas for us to follow. Now, we spent many days during that year working this over together, but anything as vast as the post office of the United States, we all agreed that Murray Cumarow should be given half the credit and we'd gladly divide it with him. He just was remarkable.

Well, the result was that at the end of the year, we came to the president with a series of recommendations. First of these was that the postal system should be turned over to a postal corporation. The corporation would be owned by the federal government, but would be authorized to have its own board of directors. It was authorized to borrow money as needed, and would have the necessary financial responsibility that it could do all the things that a private corporation could do, and was to be run as such. In other words, it was challenged to be self-supporting.

The structure to keep it that way we recommended was a board of nine directors, and the president would appoint seven of these, which would include the chairman. They would obviously have to be outstanding business executives. And then those seven would select two directors themselves. The president would have nothing to do with this, or Congress, or anyone else. One of those two, they would decide should be the chief executive officer, and the other the senior officer to help run this tremendous institution. All concerned would have six-year terms. In addition, the board would select a panel of technically qualified commissioners to make the studies to arrive at what the postal rates should be in order for this corporation to continue on a, not necessarily profitable, but at least keep itself thoroughly solvent in every way. That commission would report only to the board of directors, so that it be kept in proper corporate control.

The entire staff of the postal employees would then be transferred over to the corporation, their accrued civil service benefits would remain intact, so that they would be maintained as a going concern. But as I said, this corporate management had the full responsibility and the complete authority. It very clearly set forth that there could be no political involvement. The only one thing that the president and Congress could become involved in was that, when the board decided on a schedule of postal rates or a revision of those rates, the president and Congress could review them. And if they hadn't reviewed and a decision been received at the end of ninety days, they automatically went into effect.

The board was appointed by President Johnson, and of course, this was at the end of his term, so we were working with President [Richard] Nixon later on. I have a letter from President Nixon after it was over in which he not only outlines his recommendation to Congress, but it literally follows the recommendations that we had made. The postal service has been operating in that corporate setup since 1970, and generally speaking, I think it's done reasonably well. It was a tremendous organization. It was ready to crash. So, this was almost an emergency measure.

It was a fascinating year, working with these gentlemen. I can recall some very interesting discussions with Mr. [George] Meany, who had also been on the Comsat board with me. So we had had both official and unofficial discussions together. A very interesting man, and a very sensible one. Of course, he was a little prejudiced on the labor side, and there was a lot of that; electronics had not reached the post office then.

LaBerge: Sure. [laughter]

Peterson: But it was interesting with men of that caliber, including our dean from Harvard. I remember there were a couple of rather major issues toward the end. We were divided like about three to nine. This took some real discussion and give and take. You couldn't just compromise in the sense of only give and take, you had to convince each other that this was the proper move to make, or the proper type of structure to set up. It was one of the most challenging assignments I've ever had, and that's the only reason I mention it.

LaBerge: What decision did anyone come to about the deficit?

Peterson: Well, a temporary deficit had to be taken care of by the government. But what we did was put it on a basis that you promptly raised the rates or cut costs, or both. You had to do

what a private corporation does, if you weren't ready to pay your bills.

LaBerge: Well, at that time, I can't remember--letters were still three cents or five cents, but it was very low.

Peterson: Oh, yes. Yes, I don't remember either. Well, they were certainly less than six cents. As a matter of fact, I think our commission came up with the six-cent rate, so they were something less than six.

Task Force on International Development, 1969

Peterson: I do have here another assignment I got from President Nixon to set up a task force on international assistance in 1969, so that carried over. Congress had become quite concerned about our foreign aid and foreign assistance. It had, in their opinion, gotten out of hand, and President Nixon had no quarrel with it, so he called me in and asked me if--

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LaBerge: Okay. So President Nixon asked you to set this up?

Peterson: Yes. He asked me if I would select a commission to make a study and come out with the recommendations of a program. In other words, what kind of a structure should we have, and what should we do to assist developing nations throughout the world. He pointed out that the Congress had been completely frustrated with, they felt, a lack of a proper program and solution up to then. As a matter of fact, he said, "You know, Rudy, if your group can't come to a decision, or feels sufficiently negative, all you'll have to do is just recommend that we continue with the present program, and I assure you, Congress will discontinue all foreign assistance." [laughter]

I suspect he had gotten this from Henry Kissinger, who was then the secretary of state. He wanted me to go out and select the men in the country who I thought were best qualified to participate in this study and come up with appropriate recommendations. He made it very clear that the last thing that I needed to think about was any political considerations of any kind whatever. This should be hopefully pure talent that fitted.

And so this became rather interesting, because one of my early selections, who I knew would be very useful, was David Rockefeller. We had both worked together in situations throughout the world. He was head of the Chase Bank. Henry Kissinger objected. I was rather surprised because Henry, of course, when he was at Harvard, was a kind of a consultant to the Rockefeller family on some of their affairs. I raised the question, and he said, "Well, David has been involved internationally in all kinds of things in the government, and we want a fresh point of view. We don't want any of this old stuff." Incidentally, I never did tell David that he was "full of old stuff."

And so I pointed out to Henry that I was in the habit while I was running the bank of checking in every six months or so with my predecessor, Mr. Beise. On more than one occasion, I had come to him with some brilliant idea, and outlined it to him fully, and he had very patiently listened all the way through, then quietly pointed out to me that that idea had been tried fifteen years ago and laid the biggest egg you could imagine. I said, "I want somebody there who has been around for the last ten or fifteen years to be there to point out where some of our new ideas are not new at all, but have gone on."

So he reluctantly agreed to that, but I think the selection that I made could best be typified by John Countryman, who was the head of Del Monte Foods. I knew that they had carried on some rather extensive agricultural projects in various parts of the world at that time. I knew they had quite an acreage of pineapple in Kenya, just north of Nairobi. The purpose of that was, of course, to first prove that pineapple could be grown readily in that area, and then get small farmers in there to go into the pineapple business. They would supervise them in their growing and developing, and eventually, hopefully, have quite an agricultural project out there with a lot of nice small farmers, making their living on growing pineapple and supplying Del Monte Foods.

In Greece, northern Greece, they had likewise--I think that was mostly vegetables up there--done the same thing. As a matter of fact, they've been very successful in Kenya, and Greece has to this day one of the better agricultural schools of Europe as a result. I've had a couple of friends who have been on that board in the seventies and eighties who heartily concur.

Really, one of their first projects were both vegetables and some fruit down in Mexico. That was kind of interesting, because they gradually developed a whole area down there of small farmers that were growing both vegetables and fruit.



*To Rudolph Peterson
With appreciation and best wishes,*

Richard Nixon

Rudolph Peterson, Edward Fried, Executive Director of Task Force on International Development and senior economist at the Brookings Institute, Henry Kissinger, and Arthur Schlesinger Jr., assistant to Kissinger (now executive director of Institute for International Economics) speaking with President Nixon, 1969.



Chairman Rudolph Peterson and the Task Force on International Development present President Nixon and Secretary of State Rogers with their final recommendations for foreign aid programs to developing countries throughout the world, March 4, 1970.

Mexico was very anti-foreign corporations in the fifties and sixties. So at one stage, here were all these men working closely with Del Monte, this big U.S. corporation, and so the government decided to put in some restrictions on them.

As John pointed out to me, Del Monte didn't have to do a thing. The whole community rose up and just told the government what they thought of them. Here they were prospering with a complete industry of private enterprise, and small farmers all the way through, and the government was trying to mess it up. So the result was within a matter of months, the Mexican government had stepped away. But that was the kind of enterprise and experience that I was sure would be very helpful on this group.

The result was that we wound up with--I think I have it here--[pause] just to give a few examples of men who would be familiar with this sort of thing, Bert Gookin, who was head of Heinz and Company. Of course, many of their products were not only grown but marketed throughout the world. Wally Haas of Levi Strauss was all over the world. Bill Hewitt, the head of Deere and Company, the tractor and farm implement people, on a worldwide basis. And of course, I mentioned David Rockefeller. There was also an equally strong protest over Edward Mason, who was an international professor at Harvard who had been on these kind of commissions. Henry decided he was an old-timer and would just come back with the same old ideas that they'd had in the past. I said no, I wanted him sitting right beside David Rockefeller when I came up with some of these brilliant ideas.

So I had selected about nine or ten outstanding men in the country for this when the president called me and said he had in mind a couple of people that might be helpful on this, could he name them? I said, "You sure can." To me, it was so interesting. One was Earl Butz, who was then with the Purdue Research Foundation and later became our secretary of agriculture here in this country. And the other was William Casey, who was practicing law and became head of the Central Intelligence Agency here. I will quickly add that Bill Casey never missed a meeting, and he came up with some of the most constructive ideas. So they were all very helpful and it was an interesting seven months.

What happened was the Congress was so concerned that they said they wanted a report of what to do within seven months. We were along about five or six months and needless to say, we were having all-day meetings very often and regularly in Washington, when the president--or I guess it was Henry Kissinger, called me and said, "You know, Congress decided that you should have a

little more time, so they've given you a full year." So I brought that up to the commission, they said, "No, we're scheduled for seven months, let's get it over with." So in seven months, we had our report ready.

LaBerge: What did you recommend?

Peterson: Basically, I won't go into detail; it was quite an extensive report and available in government archives, but I would say it had about three general recommendations. One was that we should take more of a partnership role with these developing countries, and rather than come in with a predetermined or preset project that we thought would be good for them, find out what did they have in mind. What were they interested in, what did they think they needed? And then sit down with them and structure something that we agreed with. Let them take more the initiative, and have them feel it was their project. It certainly wasn't ours.

Well, the second general recommendation to that end was that we should participate more with international organizations that were trying to do the same thing. In other words, it might be a product from another country in their bilateral assistance that looked good, and could use some additional support. Join up with them. Or on the other hand, it might be one of our existing international organizations, like the one that I didn't know then I was to head, UNDP, or United Nations, or any one of the various international setups we had to assist developing countries.

And third, which probably should be our first recommendation, was to devote ourselves in initial phases to encourage these developing countries to get going on their own, on projects that they'd wanted. To structure this, we recommended that the U.S. set up an international development bank, probably with an impressive capital structure. Have adequate capital to participate, whether it be with the recipient country or with other international institutions, including banking institutions.

But the point was that whether this development bank should stress participating with the private sector, not only the private sector in the project, but with private banks. We would take a secondary role on that score if necessary. In other words, the private banks might not want as long maturities as we needed. Well, let them take the early maturities, and we would take the longer maturities in this.

Well, we were quite encouraged because about that time, it developed that the OPEC [Organization of Petroleum Exporting Countries] was set up, the overseas lending bank, and they have become very active. I was just talking to Peter McPherson, who is leaving B of A to become the president of Michigan State University. He at one time some ten or fifteen years later for several years was A.I.D. chief. So he was quite familiar with what happened here, and he said OPEC today participates in well over \$1 billion in loans per year. And when you consider that they put a premium on small enterprises, those are a lot of loans. Also what has happened is that they insure loans. In other words, they don't insure against nonpayment by the debtors, but if the government does something drastic such as suddenly depreciating the currency, or changing the rate, then they give lenders insurance against that. They want private banks and private entrepreneurs in these projects and keep it on the private side as much as they can.

The second structure was the U.S. National Development Institute. Now, that was obviously an organization to carry on research, to train people, to study and recommend, for instance, on population problems, family programs, social civic developments, and such. In other words, this institute would-- "possibly except for the research--be run like a private foundation." As a matter of fact, that's a quote from our recommendations, that it be run privately.

Those were the two basic structures which OPEC came along with a little later, and this idea of something that insured, we did not have that in our recommendation. That was really an improvement on what we recommended.

Now, it was interesting because we recommended that this would be all supervised by a U.S. International Development Council. The council would include the secretary of state, the secretary of the treasury, the secretary of agriculture, the president's special trade representative, and the president of the Export-Import Bank.

LaBerge: Was that an international bank or a U.S. bank?

Peterson: No, Export-Import is a U.S. bank.

LaBerge: So did Congress accept all the recommendations?

Peterson: Yes. OPEC was so successful that it pretty much is handling all these assignments we had in mind for the International Development Bank, and as I have indicated, has expanded on those considerably. [See: U.S. Foreign Assistance in the 1970s: A

New Approach. Report To The President From The Task Force On International Development. March 4, 1970. For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 10402. Price 20 cents.]

International Monetary Conference, 1969

Peterson: I have a little story on that, too. I used to meet with Henry Kissinger and President Nixon periodically to bring them up-to-date as to where we were heading. Toward the end, I had a long session with the three of us together. On a couple of the recommendations I felt they were not politically acceptable. If we got everything else, I'd love it, but my group would like to have these other two, but they probably wouldn't get through.

Henry very emphatically disagreed with that. "The hell with the politics and the rest. Let's move along with that, don't worry about it at all." The president discreetly was very silent and listened throughout. So we finally agreed that we would go ahead with the entire program just as we had recommended it. As I walked out, I'm not sure the president put his hand on my shoulder, but I felt like he did. He said, "Rudy, you know, if your group on some phases of this winds up in the stratosphere and you believe that's the thing we should try, go ahead and do it. Leave the politics to me." [laughter]

[As we were finishing up this assignment, another interesting chore surfaced. However, this one was only to get ready for a three-day assignment in June of 1969--the International Monetary Conference in Copenhagen, Denmark. This was a semi-annual gathering sponsored by the American Bankers Association.

It was a series of meetings of approximately 100 key private bankers, several central bankers, and leading economists with attendance divided about equally between Europe, Canada and the U.S. I was asked to chair this gathering in June and meantime prepare appropriate plans and program.

All of us in the financial world always looked forward to this event. Instead of an array of lectures, it was a series of discussion groups. Subject areas for such exchange of ideas and suggestions were prepared with the appropriate structure and chairmanship. Each was a lively give-and-take session.

In 1969, inflation was gathering momentum and of growing concern. Monetary reserves in most countries in Europe as well as the U.S. had been steadily diminishing. Increasing maintenance of the gold standard was being discussed and at times questioned. So there were some pretty vital issues to be explored.

Interestingly, outstanding Europeans like Hermann Abs, head of the Deutsche Bank, Emilo van Linne, financial chief of the Netherlands, along with our U.S. and Canadian colleagues contributed much to these discussions. Our European friends seemed to feel that there was too much focus on individual countries and not sufficient cooperation and collaboration with each other. The need for at least a start was a cooperative monetary program. For some of us who had questioned the gold standard concept, the particular emphasis of our European friends that it be closely tied to the dollar proved to be very interesting. Of course, a couple of years later the gold standard became a thing of the past. Naturally, the role of the Common Market which was getting underway and the need for its support and its potential contribution was fully reviewed. The sense of all sessions was of course the need for more candid give-and-take generally. This, of course, was not confined to Europe but very much included the U.S.A.

As we now look back and see what followed, it sounds like a pretty good start. Interestingly, one of the encouraging notes was the prediction that Great Britain would soon join the Common Market. With what history has given us today, it's no wonder that most of us, including the chairman, were pretty excited with the prospects when it was over.]¹

Well, that was another interesting assignment. I gave it a lot of time and thought, and I felt I should include it as part of the story.

It's twelve o'clock; let's see where we stand now. Are you in any hurry?

LaBerge: No, I'm not.

¹Bracketed material added by Mr. Peterson during the editing process.

The National Park Foundation

Peterson: Well, I have one more project that started while I was still busy trying to keep track of the bank, but fortunately carried over until later on. That is the National Park Foundation.

The National Park Foundation was founded in 1968.

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Peterson: As I started to say, the Congress decided that they wanted to bring a measure of the private sector in on the national parks scene. The Secretary of Interior, who at that time was Mr. [Stewart] Udall, would be the chairman, but there the government end would stop. The rest would be appropriate people from the nongovernment sector to collaborate and cooperate with the national park system in developing and promoting the concept we had in the national parks. Concurrent with that, the national park system had, of course, quite a fund of private gifts which over its history had accumulated, where people had contributed to the national parks funds for various missions. Not only were the funds turned over to this foundation, but the jurisdiction of what would happen from then on, was entirely in its hands. Secretary Udall would be the official chairman, but the vice chairman would be one of the civilians, you might say, and he'd be the one who would really ride herd on the meetings.

We were given a very broad jurisdiction over activities that we might carry on, and the only interception we would have would be our chairman, the secretary of interior. Like the postal commission, the members of this group were just about as interesting as the assignment and the work itself. Naturally, I was pretty excited, having grown up on a ranch on the Merced River after it comes out of Yosemite, so I had seen a good deal of Yosemite and a few other parks as a youngster.

For example, a very logical member, and I'm sure one of the first to be appointed, was Laurance Rockefeller, who was at that time in charge of all Rockefeller holdings, particularly out in the West. Another was Mrs. Nat (Margaret) Owings, who was of "save the otter" fame. They had saved the otters up and down this Pacific Coast over the years. Another former professor of the University of Chicago, and a former senator, was Paul Douglas. The ex-chief [justice] of the Supreme Court, Justice Thomas Clarke, sat on it with us. Another reasonably well-known owner of natural forest who had helped make history was Fred Weyerhaeuser.



First Board of Trustees of the National Park Foundation, 1968. George Hartzog, Director of the National Park Service; Rudolph Peterson; former Chief Justice Thomas Clark; environmentalist Margaret Owings; Stewart Udall, Secretary of the Interior; unidentified; Laurence Rockefeller; Senator Paul Douglas; unidentified; unidentified.

All this turned into very interesting discussions. We met monthly, a most-of-a-day meeting in Washington with luncheon. The director of the national park system sat with us. The first real need was to obtain and acquire ownership to many pieces of property that we called parks. These had negotiated with the private owners, but Congress had never appropriated the funds, so we'd never bought them. Other identified historic spots were in the same category. So in the ensuing several years, our number one mission was to identify which of these areas were most important to us to include in our parks or establish as historic points. To the extent that we had funds available, we would buy them and then go to Congress to replace the funds so we could go buy some more. We laymen became pretty aggressive before we were through.

LaBerge: Who was the director of parks at that time? It wasn't William Penn Mott?

Peterson: No, George Hartzog. No, this was way ahead of Mott's day. This is 1968. Mott came in the eighties.

Congress was slow and we were fast, so we ran out of funds quickly. Fortunately, with Laurance Rockefeller there, we would tap him for a million now and then. [laughter] Then that, of course, would give us all the more reason to be a little more aggressive with Congress. So the result was that during the seventies--we really got started about 1970--and before the seventies were over, we had pretty much purchased all that were available of the old identified historic spots. Needless to say, these wonderful Americans who had held these properties for years after having agreed to sell them, inspired all of us.

This is my favorite. Out in the Potomac near Mt. Vernon is a beautiful island. This widow had agreed to sell it to the national parks years ago. Imagine the offers she had in the meantime--I think it had been over ten years--and she had held it. This happened everywhere.

Some ladies came over to see me from Marin County and said they had heard about this foundation and what we were doing. They said, "Did you know that the preservation we have over in Marin County, that part of that is still dairy farms? Some are abandoned, some are not, but the park had never completed the purchase." In other words, we had the park on the map, but we didn't own all of it. This was the sort of thing we gathered up all over the country.

In the process, we also naturally identified very important historic spots which we included in our program to raise the

funds from Congress. But I was always impressed, Laurance was very handy. We tapped him pretty regularly. [laughter]

LaBerge: In the process of all this, did you travel around to the different areas?

Peterson: Oh, yes, we visited a number of interesting setups. [This program was well on its way by the time I had to leave for the United Nations at the beginning of 1972. I don't recall the exact count, but several hundred interesting areas were acquired and paid for by the foundation and, in due course, Congress.

At the beginning of 1980, John Bryant came out to see me. He was a young assistant in 1969 and was now director of the foundation. Apparently, the board of the foundation had increased in size and become quite a collection of political appointees. Hence, not much was being accomplished. Apparently, both John and Secretary of Interior Cecil Andrus, former governor of Idaho, had become concerned. With four or five board memberships due to expire in the ensuing year, they had both agreed that if I would help identify candidates who were really interested in our national parks the secretary would appoint them. Meantime, I had been back from the United Nations assignment long enough to have some time available and so I said, "Sure." Well, John went back and apparently reported to Secretary Andrus and then came back and said, "Well, the secretary would like to have you on the board. He has a place now and wants you to be the vice chairman." [laughs] So, naturally I was pleased and agreed.]¹

So we got busy, and I was interested in getting some truly interested people there. We, for example, had never had anybody from the Midwest on the board. We had never had anybody from Chicago. So I visited with Graham Morgan, the chairman at U.S. Gypsum, who had always been involved at the local level in the lake area around the Midwest, and was very interested. He agreed to come on.

William Graham, chairman of Baxter International, agreed also in the Chicago area. On from New York, we got the number two man in Morgan Stanley, Bill Black, the son of the former chairman of the Federal Reserve Bank. His vacations with his two sons were always spent in the parks. Up here in the Northwest, we went back to the Weyerhaeusers and got their chairman, Norton Clapp, to come on. Then later on, Marian Heiskell from the New York Times family, who had always been

¹Bracketed material added by Mr. Peterson during the editing process.

very active on various civilian projects and situations like Ellis Island and things of that sort, came. And Arthur Temple down in Texas who headed the Temple Inland had organized and set up the Temple Inland Company with its forest lands.

Well, the result of it was over the next year or two, we got going. In the process, I also visited with two or three of my other friends who would be perfectly willing to come on as a public duty but had no real interest and had not spent any time in national parks. I told them, "Thank you very much," and went on. [laughs] Of course, we knew each other well enough so they were not insulted; they'd expect that from me anyway.

For example, this group then got busy, and we found that the Georgia Techs had, as a contribution to the parks, sent groups of their young engineers out to survey the facilities in the parks to see what condition they were in, and what had to be done. Obviously, this was brought about by the general knowledge that particularly visitor facilities had been badly neglected. The concessionaires did not own the property, so they weren't exactly interested in doing anything but operating the property for what they could get out of it. They weren't going to spend a lot of their capital to maintain it or rehabilitate it. Congress was hardly the one to worry about keeping this property up.

The requirements were tremendous, and some situations were way overdue and had to be done promptly if we were going to maintain the use of some of our parks. So we got busy with Congress. Some of the board members helped our director and the national park people with Congress, and within a matter of a year or so, we made a deal that they would give us a substantial part of the income they were getting from this property.

LaBerge: The concessionaires would?

Peterson: No, Congress--the concessionaires paid Congress x dollars per year, and Congress would assign a certain portion of this to us to rehabilitate these facilities. So the result was that out of Congress came an initial allotment of \$40 million of this franchised money as it came in, and we would have a five-year program. Naturally, between the engineering studies and our own park people, we came to Congress with some definite ideas of what we would do and where we would do it.

Then I took advantage of my friendship with the Bechtels. I got Bechtel Corporation to agree on an out-of-pocket basis to survey, to ride herd on all these projects. They would

supervise after the contracts were let--the contractors and such, to be sure that things were done properly.

Well, the result was that for about two and a half years, we really got underway, and needless to say, we were kind of busy in the give-and-takes of the problems. I think we started off in about six parks with projects, lodges, individual employee dwellings and such. In the process, we found for example that some of the facilities for employees to live in were unbelievable, with six or seven employees trying to live in a two-room cabin.

After about three years of our five, politics came back in. The park service and the politicians decided their own people were not involved and busy, so that they finally got Congress to authorize them to get back in the act. But in the meantime, a good deal had been done. Incidentally, by this time [James] Jim Watt from New Mexico had become secretary of the interior, and I will say for him, he really got busy on the off-sites. In other words, sewer and water and utilities generally in some parks had deteriorated very badly. So during the three years, we also got quite a job done on that score. It was a busy time.

Meantime, we did also have some educational programs going on that could bring schools in with visitor supervision. Some of this was in the parks and some members of the parks going out into the schools. But that was--I won't go into here, that was pretty lengthy, involved. But it was an interesting--those five, six years of the early eighties were very busy and very interesting.

LaBerge: Did you get involved at all in Yosemite and the Curry Company?

Peterson: Well, I knew them very well. Actually, Yosemite was one of the better-maintained parks. And of course, I'd been going in and out of Yosemite so much that I knew them, yes.

Well, I think it's--

LaBerge: Is that good for today?

Peterson: Yes, it's after twelve-thirty.

Hacienda La Esmeralda, Panama ##

Peterson: [As we moved on into the last half of the sixties, I had begun to think about some sort of semi-retreat for retirement. I suppose it was a combination of my youthful memories and the many happy visits with Pat's cattle family up in the Mother Lode area that made owning a small cattle ranch seem particularly intriguing. Visits to semi-mountainous areas in Guatemala, Costa Rica, and Colombia had made these likely locations. So I had suggested to our active lending officers in these areas to please be on the lookout. My only requisites were: reasonable accessibility; truly rural surroundings; an attractive semi-mountainous or coastal environment; and moderate temperature.

Several interesting possibilities evolved in about 1968. Particularly intriguing was a French Charolais cattle ranch in the Chiriqui Province of Panama, a very fertile and mountainous area adjoining the border of Costa Rica. The rich soil and some nine months of intermittent rain showers had made this province the major source of meat and dairy products along with vegetables, rice, et cetera for the entire Republic of Panama. The main portion of this ranch was a plateau of some 1100 acres ranging from the 3,600 to 4,000-foot level. In addition to the gorgeous view overlooking the Pacific Ocean, two lovely streams coming down from the 12,000-foot mountain provided a generous supply of water to keep the grass green the three dry months of the year. Incidentally, where these two creeks meet is a delightful, rocky, tree-covered picnic area that for years on the ranch has been known as "Shangri-La." It still qualifies.

This elevation provides the ideal temperature range from 55 to 75 degrees throughout the year. In addition, with this ranch came a wooded area with intervals of mountain pastures in excess of 2,000 acres at the 7,000 to 9,000-foot levels on Mt. Baru directly above us. This area along with adjoining Costa Rica, according to the Audubon Society and to the delight of the family, turned out to be one of the main centers of bird life in Latin America.

All this has provided delightful gathering and vacation periods for the whole family. Meantime, the care of the Charolais breeding herd called for a modest array of saddle horses which, in this setting, made these vacation periods very special for everyone.

Once I was underway in the UN assignment, time for some reasonable measure of attention for the cattle operation was

very limited indeed. Price, with his academic role in the medical school at the University of Pennsylvania, felt he had ample flexibility in his schedule to do some pinch-hitting. Within a year, he was sufficiently intrigued that he was ready to tender his resignation as a member of the medical faculty and devote his time to make this a full-time enterprise. Again youthful endeavors had come home to roost. He, of course, had spent much of the summers throughout his youth on the cattle ranches of his mother's family up in the Mother Lode.

Today, there is still a small Charolais breeding herd but much more important are three, 100-cow dairies with the lovely adjoining pastures. In addition, the leeward sloping mountainsides in excess of something over 100 acres are covered with 250,000 producing coffee trees.

So, La Esmeralda and Chiriqui Province continues to be a delightful vacation setting for all of us and for Price and family who have long owned it, a very productive and profitable ranching operation. Even some of our Swedish relatives have been among the many guests at La Esmeralda.]¹

Arthur K. Salomon Lecture, 1964

[Interview 13: November 9, 1993] ##

LaBerge: I think you were going to talk next about one of your lectures?

Peterson: Along with this Bank of America activity, it was assumed that you would appear on various platforms at gatherings. I won't go into them in detail except a couple of these were rather notable and kind of interesting. One was the so-called Arthur K. Salomon Lecture. This was held, promoted by the Salomon Brothers, the investment house. It was held at New York University, and it was an annual lecture and followed by a dinner to which a few of the people attending the lecture had been invited ahead of time, and it was open to general discussion.

In 1964, I was asked to give that lecture. My subject was indebtedness in the new environment. The gist of it, of course, was to point out that debt had normally carried with it a

¹Bracketed material added by Mr. Peterson during the editing process.

measure of onus and apprehension and concern. However, if properly administered and thought through, it of course had been the key to the very growth of our economy. This was not only our economy in the United States, but our economy worldwide: borrowing actually created assets. It wasn't a case of spendthrift waste.

However, naturally, in trying to encourage this as a measure of progress in the economy, the precautions and the thoughtfulness that should go with it was very key. So I spent a good deal of my time on discussing those controls and the measures that needed to be taken to be sure that this became a useful instrument of economic policy.

LaBerge: Do you want to go into those controls, or--?

Peterson: Well, I think it's basically measuring the proper proportions of equity investment and its relationship to the amount that you borrow. Even more important is to measure the potential net profit that can be utilized to repay that indebtedness in a reasonable period of time, and still allow for contingencies. Beyond that, there are a lot of specific technicalities, but I won't go into those at this point.

LaBerge: The University [of California at Berkeley] Library has a copy of that lecture, so we can footnote that and people can go to read it.¹

Peterson: Oh, fine, very good. [laughs]

Well, at the dinner following, of course, was a setting for open discussion. There were probably less than fifty people or so at the dinner. So there was a lot of give and take. Needless to say, I was kept pretty busy answering the questions, and a proper measure of skepticism on some of the contentions that I had made. David Rockefeller was the only other banker that was present, and I was grateful to him for the support he gave me, because I needed it from time to time on some of the queries from the various leaders of industry.

LaBerge: That's what I wondered, who else came to hear it? It was industrial leaders?

Peterson: This was an annual dinner that the leaders, the chief executives of the leading corporations, were always invited to in New York.

¹"Debt in a New Environment" by Rudolph A. Peterson. The Arthur K. Salomon Lecture. New York: New York University, 1964.

As we look back, I'm not sure that they took me that seriously, but I must say for the next ten years, as an indication of a reasonable measure of control in our economy, the comparison of the increase in the federal debt might be useful. In 1964, it was \$316 billion, and ten years later, in 1974, it had gone up to \$466 billion. When you consider the growth of the economy in that ten-year period, I think we can consider that that was reasonable and my concerns maybe were not fully justified.

However, if we will then step on to the next ten years, we will find that by 1984, it was four times as great as it was in 1974. That would indicate a somewhat different status or state of affairs. At that time, our savings and loan problem was underway. As a matter of fact, it had been underway to some extent in California in the 1960s, but fortunately, the supervisory authorities in the state had taken measures to bring it back into line. But by '84, this was making its contribution. We know the story from then on. It of course moved on, and by the nineties, the crash was going on in various parts of the country. This, of course, became one of the costliest financial emergencies that has cost our citizenship billions of dollars. So I'm afraid our memories on what we agreed to in '64 weren't quite long enough for our purposes.

LaBerge: Did the Vietnam War have anything to do with that growth from '64 to '74?

Peterson: Yes. It may have had some influence. However, the sixties and early seventies were pretty consistent economic growth, not only in our own country, but also particularly in Europe. It was simply, we were moving ahead. The borrowing and lending was a process that had proceeded to create productive assets, which in turn were creating additions to the economy all the way through.

Issue: The Gold Standard

Peterson: Well, another event among the speaking engagements that turned out to be more interesting, probably, was in 1967. I was asked to discuss, give a talk to the New York Chamber of Commerce. This was held in the Great Hall, which was chartered from King George III in the 1700s. The setting alone made it an event, and this was an eleven o'clock talk, with luncheon to follow.

The subject of that talk was America's economic role in world affairs. On that occasion, I pointed out that we did have

concern with our own balance of payments position. We, I felt, were unduly concerned about it. However, the concern was shared by our friends in Europe as well to some extent. The president of France had indicated that he was concerned over the U.S. dollar, and France would follow their policy of accumulating gold, even to the point of demanding gold in payment for some of their obligations. This came from the concern in France and elsewhere over the rapid expansion of our economy. They no doubt were particularly concerned about the extent to which that growth was our growing activities and sales of merchandise in Europe as well as sharing in the production of their countries.

LaBerge: Who was the president of France? I'm trying to remember. Not de Gaulle?

Peterson: It was de Gaulle.

LaBerge: I remember that he was in power and then out of power, and then in power again.

Peterson: That's right.

LaBerge: In any case, they were sticking with the gold?

Peterson: That's right. It was rather interesting too that, for example, there were expressions of concern coming out of Zurich. Zurich was, of course, the home of the hardest of hard currency. They had some reservation that maybe the United States was not managing their currency position as carefully as they might. But the fascinating thing, one of their criticisms was that we had not devalued our currency in thirty-three years. [laughter] The very thing we were the proudest of!

As a matter of fact, there was at that time all through the sixties, certainly one if not the outstanding leader in Europe, in the business world, was Hermann Abs, the managing director of the Deutsche Bank. Even he wondered if the spread of investments by the United States might be a little on the too generous side, and moving along a little too fast. He had kind of warned us that maybe we and our government should sit down and look this over, and see if we shouldn't temper it a bit.

Actually, there was considerable concern here, because of our balance of payments position. We had bought more than we sold at times, and the variation that it would move up and down, and that this might bring on some concern over the soundness of the dollar. The latter was, of course, the thing that really was a concern in Europe. Generally speaking, the European countries were holding pretty steadfastly to the need to

maintain the gold standard. After all, the U.S. dollar, even though it had maintained itself without any adjustments, was moving forward in its importance as the center of exchange in the world. It was young and somewhat newer, certainly than the gold standard, and that caused some apprehension.

However, my contention was that the gold production in the world, as far as the role of the gold standard was concerned, was falling considerably short of the growth of international commerce. That statement rather implies the gold production was inadequate. Actually, it was a case of the prosperity and development of U.S. commerce and its sharing with other economic growth, particularly in Europe, that it had just outdistanced the role of gold.

My contention was, of course, that this--not only that the restrictive position of the European countries would not solve the problem, but I pointed out that we had taken some restrictive measures, such as interest rate controls and the equalization tax, and other measures that had proven quite ineffective and quite unnecessary. So it wasn't entirely a European concern; there had been a measure of this concern here. However, it seemed to be not a problem, but a measure that called for complete discussion and collaboration between countries. We could not do the job alone. We needed the cooperation and participation in these efforts by other countries, and it should be a joint effort throughout.

And the implication was very clear, and I expressed it, that unless we got together and worked out joint solutions, we would have little choice eventually, in my opinion, in going off the gold standard. That had been expressed also by Secretary of the Treasury [Henry] Fowler in a semi-private gathering that we had had. However, I did not choose to quote him on the occasion, but took responsibility for that statement on my own.

But the reaction was not slow in coming. I received telephone calls from my banking friends and other people in Europe. It so happened that, two or three weeks later, I was in Rome, and had lunch with my friend, the chief executive of the Banc de Lavoro. I always remember his comment, "Rudy, that statement might have been appropriate for a college professor like me to make, but not for you. You're the chief executive of the largest bank in the world." [laughs] Well, I explained that that was my conviction, and I might be wrong. However, a year later, the chairman of the Federal Reserve Board of the United States, William Martin, made exactly the same statement, and of course, two years beyond that, we went off the gold

standard. So the pattern fell into place, not because of this talk I made, but it just seemed inevitable to a number of us.

LaBerge: Did you realize before you made the statement in the speech how much reaction you were going to get?

Peterson: No, I did not. I knew I would get some reaction. David Rockefeller, who was the chairman of that occasion, agreed with me. He did support me at the many questions and skepticism expressed at the luncheon that followed. However, I'm not at all sure that he might have preferred that I had chosen some other subject for the occasion, as long as he had to preside.

There were, of course, other occasions at various public talks where the subjects I've just talked about in these two so-called lectures were discussed. The problems of the growth of the economy and the balance of payments, and the fluctuating interest rates, all those were current subjects.

LaBerge: I read somewhere that you tried to give President Johnson advice during that Vietnam War period, because of--I think what I read is that you advised him to call it a national emergency, and possibly to raise a surcharge or a surtax of 5 percent just to finance the war.

Peterson: That's right.

LaBerge: I'm not sure if he accepted what you said at that point or not.

Peterson: I had some assistance--yes. I was not alone. There were others who felt that this was an opportunity to pay our way as we went along, rather than incur the indebtedness. One of the men who joined us in that contention was the former secretary of the treasury, Bob Anderson. We all felt that this--there was sufficient question on the merits of this within our own country that it made all the more reason why we should not put it on a pay-as-you-go basis. However, he chose not to. And as history turned out, that was unfortunate.

LaBerge: Before you go to something else, can I ask you one more thing: did you enjoy giving those lectures and doing kind of public speaking?

Peterson: The answer is that I was pleased at the opportunity to address any real problems, but I recognized that public speaking was an effort, and not an inherited gift. So that unless I felt that I had a worthwhile message, I would be happy to pass.

Ambassadorship to Japan

LaBerge: Why don't you tell me about opportunities coming your way as you faced retirement?

Peterson: [In the spring of 1969, I received a telephone call from my old friend Alex Johnson, who had just become undersecretary of state following his tour as U.S. Ambassador to Japan. He had apparently just come from a visit with President Nixon and they wondered if I would seriously consider taking over his old job as U.S. Ambassador to Japan.

Needless to say, this called for some real soul-searching. Following my several years as co-chairman of the Japan-California Association, the opportunity along with the challenge was intriguing. Meantime, a couple of my fellow Japanese members of the group had somehow learned about this and called with words of encouragement.

On the other hand, the board of directors had unanimously, on my recommendation, just agreed on forty-six-year-old Tom Clausen as my successor beginning January 1. Their reluctance had been fully understandable considering he was more than ten years younger than any predecessor in this assignment which now called for a guiding hand of the number one bank in the world. I finally concluded that with eight or nine months to go in my own tenure, I just could not in good conscience leave within another year. Obviously this equally vital assignment in Japan could not be left open for any such time. So I had to respond with very genuine regret. Little did I suspect that in another eighteen months, UN would become the alternative.]¹

¹Bracketed material added by Mr. Peterson during the editing process.

XV UNITED NATIONS DEVELOPMENT PROGRAM, 1971-1975

[Interview 12: October 14, 1993] ##

Paul Hoffman

LaBerge: We had talked about starting with your work with the UN [United Nations], after you retired from the bank.

Peterson: Well, it was a year and a half after I had retired that I received a call from Secretary of State William Rogers that he wanted to see me. It was to take over as administrator of the development side of the United Nations, which is known as UNDP. But more impressive as far as I was concerned is the problem of succession. To me, one of the most remarkable men of the twentieth century had been in those shoes and had done an outstanding job of bringing the development side of the United Nations out of a rather indefinite venture into something that had become quite impressive.

Paul Hoffman already had quite a record. He started off early with a trip to New York as the number-one Studebaker salesman when he was in his early twenties. In those days, Studebaker was pretty much the number-one car in this country, certainly ahead of Ford and even more ahead of Chevrolet. He subsequently became the distributor for Studebaker in southern California, and by the thirties, was the president of Studebaker Corporation.

LaBerge: So were the headquarters of Studebaker in California?

Peterson: South Bend [Indiana]. Toward the end of the war, he became concerned about the recession that would take place in the economy of the United States similar to that which followed World War I. As a result, he took it upon himself, with a couple of friends, to try to set up an organization of the

business leaders of the United States with a program that would step into the breach and forestall a drastic letdown after the war. He held meetings throughout the United States, and that was where I had first met him. I had heard a lot about him, of course, through the years.

The result was that when the war ended, here was a fully equipped organization set up to work together and do whatever was necessary. However, there was no letdown. To the contrary, this time, there was such a built-up demand that there was almost something short of a boom. However, the organization that was there, of these business leaders throughout the country, was structured to assume responsibility for the trend of the economy in the United States. It was turned into a research organization and a study organization to make constructive suggestions.

Since then, we of course have all known the CED, the Committee for Economic Development, and probably one of the most constructive civilian organizations that we've ever had in guiding and recommending to our government measures that have proven very much needed.

LaBerge: He set this up without any government sponsorship or push?

Peterson: None. He was, of course, well known and highly respected, so any time he had asked for a gathering in Dallas or San Francisco or Los Angeles, the business leaders knew it would be something of real interest, so there was no problem in getting these gatherings together. And then out of that, they formed an organization and raised the funds necessary to finance its structure.

Well, about that time, there was a decision in the United States, thanks to the former commander-in-chief and his timely speech at Harvard, to establish the Marshall Plan. This was to set up an organized plan and program to assist the European countries, including Germany, to rehabilitate themselves. Who else would President [Harry] Truman suggest to be the administrator of the Marshall Plan but Paul Hoffman, who had devoted his earlier months in getting ready for whatever needed to be done on the domestic scene. And so in the ensuing several years, he of course directed the recovery of Europe, and in 1959, when this program was well on its way, our friend, the administrator of the United Nations, the Swede--

LaBerge: Oh, Dag Hammerskjold.

Peterson: Dag Hammerskjold, of course, decided that the time had come to build the economic side of the United Nations into a real effort, and particularly enlarge it. The economic side was financed entirely by voluntary contributions. On the political side of UN, the source of needed funds consisted of assessments. I believe the initial allotment, voluntary contribution, for some of the earlier years was only about \$20 million.

LaBerge: For the United States, or--?

Peterson: No, total.

Well, that gathered momentum very fast, with Mr. Hoffman in the saddle. By 1961 or eleven years later, it was in the hundreds of millions. Incidentally, there was something rather naive in this sort of an activity that Mr. Hoffman had established. The recipient of this economic assistance must participate with a contribution as well. And as a result, remarkably, over half of the cost of the program by the time Mr. Hoffman had gotten well underway, was paid by the recipients. Now, that in the case of Botswana might be 10 percent, but in the case of Iran it probably was closer to 80 or 90 percent of the cost.

Preliminary Research

Peterson: I had a long discussion with Secretary Rogers, and we agreed that I should give it some thought and kind of review the setup before I reached any decision. So with that, I proceeded to visit with the various men who I thought could enlighten me as to what the problems and the prospects would be, and whether I could be constructive.

I started off with Bob McNamara, who was then chairman of the World Bank. He was, of course, very familiar with their activities, because many of the projects that were conceived by the UNDP, of course, called for considerable financing. In that event, UNDP would supply the technical know-how, and if it, for example, was a reclamation of an area for agriculture or such, well, the World Bank was the one who furnished the money. We hired--brought the technicians in, and the studies were made, but when it was planned and ready, then normally the World Bank would step in and finance the program. We were simply trying to get it underway. Well, my meeting with Mr. McNamara concluded with his observation, "Rudy, if I didn't have this job, I'd take yours."

Then I visited with the member of the State Department whose responsibility was the relationship between United States and the United Nations. As part of that responsibility, he had followed closely in the development of the program, particularly under Paul Hoffman.

LaBerge: This isn't the same as the ambassador to the UN?

Peterson: Oh, no. The ambassador to the UN happened to be a man that you may have heard of, a Mr. [George] Bush.

LaBerge: Yes.

Peterson: However, he was a bit critical, and this wasn't in criticism of Hoffman's management. Mr. Hoffman's really kind of right arm was a member of the government of India. He had been chosen by the secretary general as his assistant. He had also carried on as a kind of part-time assistant to Mr. Hoffman. Our member of the State Department felt that he had promoted himself to handle two assignments. It was all an ego episode and I would need somebody much more capable as the number two in this setup.

[My third visit while in Washington was with a consultant whom I had known casually and who Paul Hoffman had talked about. Apparently, he spent a good deal of time with the new UNDP organization and, of course, I was very interested in the caliber of that organization and its ability to do the job.

He gave me a very good summation of his opinion. He said, "It's a third, a third, a third." He went on to explain that one-third of the employees were very capable, one-third were not bad enough to fire, and the last one-third one had to get rid of. He explained that fortunately all employees in the UN were on a four-year contract. Being a political organization everyone assumes their contract will be renewed. He pointed out that I could make history by terminating a lot of these contracts as they expire.]¹

LaBerge: And they were employed by the UN, not by their countries?

Peterson: No. This was the UN's, and I'll get into the structure of that in a bit.

Well, my next call from the East Coast was from the United Nations and the secretary general, Mr. U Thant from Burma, who had succeeded our Swedish friend. He said that he and

¹Bracketed material added by Mr. Peterson during the editing process.

Ambassador Bush wanted me to have lunch with them. So in due course I had lunch with the secretary general and Ambassador Bush. They gave me some background as to what they felt the assignment was ahead, and of course, they presented it as a very unique challenge and opportunity to do a constructive job in the United Nations.

When they were through, particularly with George Bush, I felt that if I didn't take it, somebody who they didn't think much of, an attorney in southern California, might be selected. So maybe I was the [laughing] better of two evils. But in any event, it was a very interesting discussion, and very helpful. Soon thereafter, I sent word to the secretary of state that I would accept.

LaBerge: Did this mean a move to New York for you?

Peterson: Oh, yes. This was a very full-time assignment.

Dag Hammerskjold and Establishing the Program

LaBerge: Before you go on, could you tell me, if you did get to know him, anything about Dag Hammerskjold?

Peterson: Because of my Swedish family connections, I had heard a great deal about him. He was tremendously admired in Sweden. There was a consensus when the United Nations was formed that, if feasible, the secretary general should be taken from one of the smaller countries of the developed world. I don't believe that was a qualification, but just a general understanding among the major countries that this would be appropriate. Understandably, it might be, from a practical standpoint, that the head of a smaller country would be a better listener and a bit more conscious of the problems of these small undeveloped countries. Then it was also agreed that the United States would supply the number two job, which was the administrator of the developing side of the United Nations, or UNDP. That, of course, brought-- is what made Mr. Hoffman eligible for that appointment.

As a matter of fact, Mr. Hoffman was a second. David Owens had preceded him in the preliminary years.

However, the reason that Dag Hammerskjold called Paul Hoffman was that he wanted to make a real program out of it. The development side had been a kind of informal, unorganized effort. It was something that apparently the United Nations had

decided should be part of their program, but it had never been really structured. I indicated twenty million dollars to start helping the whole developing world was in terms of pennies.

LaBerge: So Dag Hammerskjold is the one who--

Peterson: So Dag Hammerskjold decided that the time had come. Obviously with something as tremendous as UN, the political structure properly came first, the developing word was given what time was left. At this stage, the program for assisting developing countries was pretty informal. Funds were limited and projects were many and varied. Countries and/or their foreign ministers submitted some projects. Others were proposed by the agencies listed above. The movement was in the right direction but not handled professionally and not very organized. It really didn't get underway until Paul Hoffman arrived, and that obviously was why Dag Hammerskjold particularly wanted him.

So the Hoffman era was really the beginning of the first direct allocations of funds of any consequence. And of course, with the dynamic Mr. Hoffman, they then grew pretty fast. But in the process of getting this underway, you can't do everything at once. So the structure of the functioning organization had to be developed and decided upon. That all takes time, particularly in a disperse political organization such as the United Nations was.

[The following six organizations were set up and functioning: the United Nations itself; the International Labour Organisation (ILO); the Food and Agriculture Organization (FAO); the United Nations Education, Scientific and Cultural Organization (UNESCO); the International Civil Aviation Organization (ICAO); the World Health Organization (WHO).]

As projects were submitted and approved, they would usually be assigned as appropriate to one of these organizations for implementation. The necessary funds would be made available to them and on some types of products that funds might supplement. As I've mentioned, for some of these projects such as reclamations funds might well come from the World Bank.]¹

LaBerge: So you came in 1971?

Peterson: I came at the end of '71, and I will get to that in a minute.

¹Bracketed material added by Mr. Peterson during the editing process.

Structure and the Jackson Report

Peterson: By about '68, the United Nations Development Program had become official and established. The worldwide organization had been structured with country representatives in the various countries during the late sixties. As a matter of fact, a very competent gentleman by the name of Meyer Cohen had been brought in to supervise the allotment of the funds to various projects.

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Peterson: Mr. Hoffman, along with the governing council, agreed and assigned Sir Robert Jackson to set up an organization within the UN to make a study of how all this should be done. Actually it took them '69 and '70 to do it. So the Jackson report had just arrived about the time I arrived.

[The gist of the Jackson Report might be summarized as follows: 1) The management study and evaluation of the program should be handled in one place, UNDP; 2) Plans and budgeting for projects should not be set up on an annual basis, but timewise in terms of start to completion. This usually meant several years; 3) Consistent with this, UNDP's budgeting and financial planning and estimates of requirements should be in terms of five-year cycles; 4) Selection of projects would be based on maximum usefulness to the most people, without regard to country. There would be no concern whose turn it was; 5) Particular consideration should be given to the least developed countries, theirs should be a greater share of allotment; 6) Selection of projects on the basis of usefulness, regardless of who conceived them or who started them, or when they were started. In other words, if another country was starting a particularly useful project or had one underway and they needed additional funds, it was placed at the top of the list.

This added provision was, of course, particularly interesting. It was one of the key provisions and recommended changes that had come out of our study completed in 1969 of the A.I.D. program in the U.S.]¹

Well, once I had decided that I would join them, I felt it was important to discuss with Mr. Hoffman certain problem situations. Particularly I had in mind the earlier advice of "a third, a third, a third" as far as our present personnel. So I met with Paul, and we discussed the problems awaiting us with

¹Bracketed material added by Mr. Peterson during the editing process.

101 offices just set up in as many countries, with the untrained organizations that were there.

Meeting the Governing Council

Peterson: When we came to the recruiting and the termination of the four-year contracts, he hesitated. Up to that point, we were in full agreement as to what the scope and the approach should be in getting the assignment underway. I particularly emphasized the fact that I just could not see any role for any political leanings as far as the future personnel. It would have to be based on their present or potential ability. This had to be run pretty much like a private corporation, without political considerations. He had no quarrel with that, except as he pointed out, this might be somewhat of a shock to the governing council and the UN generally. This discussion was taking place in December, and the governing council was going to meet in the middle of January. He said he thought it would be wise that we did not make my appointment official right now. This would give me an opportunity to present this to the governing council and they would have an opportunity to agree as well.

He felt that I could make good use of my time by visiting some of the offices in some of these countries, and have a chance to see what the problems were. How they were structured or should be structured, and also get a feeling of what the problems were in two or three countries over whom imminent decisions were coming up. This also gave me an opportunity to meet the people at headquarters as well, and get some concept of their ideas and how the organization should be structured.

LaBerge: When you're talking about all the personnel, the third, a third, a third, is this people in all those 101 offices?

Peterson: Yes, this was just a figure of speech with him, but he happened to be quite accurate. [laughter] It turned out that I probably eliminated, over a period of time, about a third of the personnel. But in the meantime, of course, we had to add a great many more.

Well, this provided a very busy month. I needed at least this month in getting some concept of what it was all about, what the problems were.

Well, the middle of January arrived, and I met with the council. I outlined very frankly what our position would be,



Rudolph Peterson, as new Administrator of the United Nations Development Program, visiting with United Nations Secretary General U Thant (right), and Ambassador George Bush, 1972.



Thomas F. Power, Jr., Regional Representative of the United National Development Programme in the Far East, Rudolph Peterson, and King Bhumiphol of Thailand (right), Bangkok, Thailand, 1972.

particularly in building this organization structure, along the apolitical lines completely. I tried to emphasize how we would go about it in the private sector. Obviously, this was a relatively new business. There weren't a lot of professionals available, so it was up to us to set up training programs with our more knowledgeable people to train young men and women to take over.

LaBerge: How did they react to that?

Peterson: The answer was surprisingly responsive. I was interested that particularly some of the smaller countries like Holland and the Scandinavian countries and such spoke up, almost enthusiastically, of the concept. There was a surprising absence of reservations, so there was no question that the mandate was clear, and as you will hear later, there was evidence that it was pretty sincere. [tape interruption]

Incidentally, the makeup of the governing council was interesting. It had forty-eight members. All the major developed countries were represented. When you got into the smaller developed countries, there might be one representing two or three. About a third of the council was from the developing world; they were grouped regionally. Then they took turns selecting who they as a group of countries would want on the governing council. So it was a well-planned and rather carefully structured governing body.

LaBerge: Did the ambassadors from those countries sit on this, or other people?

Peterson: No. The ambassadors from those countries, the ambassadors to the UN, sat on the political side, in the United Nations council itself, as distinct from the governing council of the development side. They were always interested, and actually it turned out, they were very supportive. I received some very helpful cooperation from them.

Apolitical Stance

Peterson: I did not mention that prior to this, I had also met with the secretary general. In the ensuing month, Mr. U Thant's term had expired, and Kurt Waldheim was now there. So I met with him and explained to him the apolitical approach I was taking, which I knew would be somewhat unique to him. [laughs] I gave him the reasons why I thought it was essential. He had no quarrel. He

said, "The only thing I ask of you is, will you keep me sufficiently informed of what you're doing, that I won't be embarrassed? I have my hands full with the political problems and situations here, and you're in an area with economic assistance that I know very little about, so your only problem will be to keep me sufficiently informed that I don't appear too naive." Of course, he was number one, so that was very appropriate.

So that eliminated any problem on that--and I must say, he kept his word very literally. I would visit with him regularly, until--there was one exception toward the end, and I'll get to that later, when we get to that incident.

LaBerge: For the record, do you just want to say why the apolitical stance was so important to you?

Peterson: We were looking for a combination of talent, experience and objective commitment to the job and completely without political influence or prejudice of any kind. In addition to experience, we wanted people with imagination and ability to centralize and properly identify and recognize the economic situation involved. We might find some of this talent in academia but more likely in the corporate world.

For example, we needed someone to direct a personnel department and a training program that had a good deal of background in both. Fortunately, I learned that the head of personnel and training for Exxon was about ready to retire, and the management very readily said, "Sure, if he'll come along," and he did. He was with us for about a year, and set up the program we needed in training. For this first year, he helped make the selection of talent which in some cases had appropriate experience, in some cases fresh out of graduate schools.

LaBerge: Do you remember the name of the man from Exxon?

Peterson: Milton Hagen.

Personnel of the Four Regions

Peterson: Well, now that we had the governing council's blessing, and Mr. Waldheim's blessing, and the enthusiastic support of my predecessor, it was time to go to work. Fortunately, in looking over the senior management structure, I found not only had the developing world been divided into four parts, but I had

inherited, thanks to Mr. Hoffman's selection, four very competent regional directors. They were known as regional administrators.

Michel doo Kingue, who had been with the government in The Cameroons in Africa, was young and very capable. He was an alert gentleman with a very broad education. He also had had various assignments in other parts of the world, so that he had a pretty solid background of experience to support his capabilities and his education and training. He was in charge of Africa from the Sahara south.

Sergije Makeido was a very interesting and outstanding man. As a young man, when he finished his education, was about the time that Mr. [Marshal of Yugoslavia, Josip Broz] Tito was giving the Germans some trouble in Yugoslavia. I gather that Sergije had volunteered to assist in that effort. He became pretty much, in his thirties, Mr. Tito's right arm. He, I was told, had a good deal to do with promoting the weapons supply. In other words, in various countries, he did the negotiation to get the weapons and ammunitions. He was the man who arranged for these supplies from the outside world that were needed for Tito and his forces. Quite an assignment for somebody at that stage.

LaBerge: He was in his mid-thirties.

Peterson: Yes, he was. About this time, an enthusiastic young volunteer fresh out of school joined the Tito venture. Some years later, this interesting, attractive lady became Mrs. Makeido and a very good friend of ours.

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LaBerge: Well, what section was he in charge of?

Peterson: Makeido was in charge of the developing countries that needed assistance around the Mediterranean, largely the Middle East. He of course was familiar with those countries, and that is not only southern Europe and the Arab world, but also the countries along the Mediterranean on the northern part of Africa. He, with that background, you could see that he had no problem directing his area of the world.

It was interesting, I'm going to jump ahead--he was sixty-five and ready to retire the last year I was there, so that his assistant had been "Stig" Anderson, from Denmark. Naturally, when somebody that outstanding was ready to retire, it was important--particularly to the Arab world and the Arab

countries--who would be his successor. I agreed with that entirely, and for that reason, I had assigned Stig to the number-two job in that part of the world. In his earlier days, he had spent some time in the Arab countries so that he had early background there, and now with some two to three years under Makeido was uniquely qualified.

However, some of the Arab countries felt that he should be an Arab. They visited with me on it, and I said, "Well, the new number-two man will be an Arab." He was directing the office in one of the African countries, not an Arab country. I pointed out to them that I couldn't possibly think of anyone we had that could begin to have the qualifications that Stig Anderson had.

This was in my final year and the first time that Kurt Waldheim called and said, "Rudy, I'm going to have to violate my commitment and suggest that you should give consideration to selecting an Arab for this job. The Arab delegations have met with me two or three times, and are very concerned." I did not tell him that the ambassadors from Egypt, the Sudan, and a couple of other Arab countries had come to me and told me about these meetings.

They said, "We have had an opportunity to see what you've been trying to do the last four years, and how you've done it. We just wanted you to know, we are sitting in on these meetings. We're not making any comments, but if it becomes a matter of issue, we want you to know you can count on us." I said, "Kurt, I think Stig, next to Makeido himself, is by far the most qualified man in the Arab or the UNDP world for this job." So he went along with it, but that was his first and only exception.

In Latin America, the administrator was Gabriel Valdez. He had been the foreign minister of Chile, and prior to that had been in business in Chile. He knew Latin America generally quite well, and proved to be very competent. Interestingly enough, he had never had a political office since, but it's been obvious from reports that the return of Chile to the orderly, nonmilitary, and prosperous status that we know today, that Gabriel quietly in the background had a good deal to do with that.

LaBerge: Did you know him when you tried to deal with the banks in Chile?

Peterson: No. Nor his wife. His wife, incidentally, was a very talented vocalist who was sought, from time to time, in various parts of the world to render and participate in concerts.

Then for Asia, we had from Sri Lanka a very competent man, Raju Coomerswany. He had been politically quite active in working with the regime in Sri Lanka, the government regime. His activities there had been largely--after they'd separated from India--of helping them develop their economic setup. Of necessity, that meant that he had had to move around a bit through Asia to recruit resources and talent and such. So he was not naive by any means to the assignments that we had facing us, both in various countries, regionally, and on an interregional level. He did a very creditable job, and continued on for several years after I left.

Choosing Assistants

Peterson: I went into this because this minimized my problem at the headquarters level. After looking the situation over, I decided that I had agreed with our friend in the state department who said my assistant would be anything but a half-time assignment to develop this vast organization. I came to the conclusion that I would need two very capable full-time assistants. One I knew something about, because Bert Lindstrom had been during my banking days the head of the number-three bank in Sweden, with branches throughout most of Sweden. I knew he was very capable. In my discussions with various Scandinavians from all three countries, it was obvious that they knew of him and his record in the banking and the economic world. Even the number-three bank in Sweden would be very important in the rest of the Scandinavian world and Europe generally.

At the moment, he had stepped out of the bank to become the president of Sweden's largest and most prominent newspaper, Dagen's Nyheter. It belonged to a family who for a couple of generations had owned a number of publications. So the selection was easy, and I wanted him--the assignment here was to run the day-to-day operations of the whole organization.

I visited my friend, Marcus Walenberg, in Sweden, and told him what I had in mind. I did not know the chairman and owner, so I wanted Marcus' advice. He agreed with me, and said that he felt it was important enough to Sweden and the Scandinavian countries, that he'd be glad to not only introduce me to the key family member of the ownership, but also discuss it with him.

So the result was that I visited with Albert Bonnier, the chairman, and I just asked him if he would give it some thought and told him that I had discussed it with Marcus. I knew that

what Marcus would have to say would be a lot more influential than anything I could contribute. However, I outlined fully the responsibility that I thought was there. He agreed that Bert Lindstrom was probably qualified, though, as he pointed out, this was beyond anything he's handled so far. And the verdict was, "Yes." We moved there.

The second assignment would be someone who was a conceptualizer. Someone who knew about the problems in these developing countries generally, to identify the specific projects as they came up, and was creative enough to see how they'd fit. Then had to be sophisticated and honest enough to evaluate not only the project in terms of starting it, but evaluate as it went along and what needed to be changed, or if it should be discontinued. In other words, I had to have somebody who could judge all this and was worldly enough to do so.

I visited with a number of people who had had a background of experience, particularly in the developing world. A couple of them were foreign ministers. One of them was David Bell, who was head of A.I.D., and was now the head of Ford Foundation. I also visited with other people in the Rockefeller Foundation, who with their activities throughout the world were trying to do the same thing we were doing. In each instance they were good enough to come up with two or three suggested candidates, and in most instances, the number one was I. G. Patel, followed with the uniform comment, "But of course, you could never get him."

I. G. was really the financial chief of India. He was not the financial minister; that was a political post, but he was the one who ran the show and had the background for it. He was the one that Madame [Indira] Gandhi, the prime minister, I knew looked to.

LaBerge: Is I. G., are those his initials?

Peterson: Yes. And everybody called him I. G.

I. G. had gotten his Ph.D. at Harvard, and after that, he had led an international life. He'd had assignments in various parts of the world on behalf of India and on behalf of other organizations. I. G. at this stage, I would say, was just about crossing into fifty. We had a very competent country representative in India who was good enough on my second visit out there to have a luncheon at his home with a number of leading people in India, including Madame Gandhi's secretary. He was a man who obviously she charged with the responsibility

of seeing that things were done. I don't know whether he even knew any shorthand.

I had of course on my first visit met with Prime Minister Gandhi. So following lunch, I had a long talk with her secretary, and what I thought this assignment could mean to India, considering I. G.'s background. We probably spent an hour answering his questions and when he left, he seemed to think that this might be very interesting.

I received a cable from Madame Gandhi about ten days later that she would be glad to make Mr. Patel available. Needless to say, I had talked to I. G. while I was out there, so that I knew that he was listening, and would be willing to consider. So with her concurrence, I was quite sure that I. G. would accept, and he did.

Well, with those two appointments within the first couple of months, I felt we were set to move ahead.

LaBerge: So were their headquarters in New York also?

Peterson: Oh, yes, we were all together in New York. As a matter of fact, we were across the street from the United Nations itself. Later on, New York City helped build a special building, which we occupied. We were the principal occupants, and the first half was us, and I think maybe one other UN organization, and then the upper half was a hotel. The UN's guests stayed in this very modern, new hotel, again right across the street from the UN headquarters.

Challenges and the Five-Year Plan

Peterson: Well, the reason that this was so important to me was that here was a unique opportunity. Mr. Hoffman had not only built the momentum of voluntary contributions to all this during the sixties, but he had kind of gathered together all the loose ends to give it direction, a very concerted direction. You might say the climax of that effort had been the Jackson report, which a few months before I arrived had been discussed pro and con in the governing council. All concerned throughout the UN enthusiastically agreed this gave a direction for the whole development side of UN. Needless to say, the direction would have to be supported and show results, because obviously, this was going to take decision-making out of the hands of politically potent units throughout the world. These were not

only foreign ministers who had had a good deal to say where some of this money and effort went, but also these various UN agencies who had had a good deal of influence in the selection of projects they favored.

The direction was all now concentrated into this structure, UNDP, who would have all the authority. The governing council, just before I arrived, had made it very clear that it was UNDP who would give answers and make the decisions. So it was important to have a group truly working together who had sufficient background in their experience and knowledge and ability to make those decisions that would stand up to the most severe type of cross-examination and questioning.

We had several challenges facing us in our operation structure as a result of a number of decisions that, again, Paul Hoffman with the governing council had kind of fathered. Now it was up to us to make them work. It's true we modified some of them, based on experience, and even at the outset to some extent. But I must say, we had solid support from the governing council all the way through.

So now we were faced with conceiving and developing a procedure from which we would get the facts necessary to decide on five-year programs. I haven't mentioned John Oliver, who was our controller and financial man, but had had a great deal of background, both in UN and in the Congo during the problems there. He had always been on the financial side with international bodies, particularly in the African but also the outside world. The first thing we needed was a projection of what we can expect on this voluntary basis, thanks to the momentum already created by Hoffman, to acquire for this first five-year period, which is 1972 to 1976 inclusive, also fitted my term of office.

[So, now the new era was underway with I. G. Patel in the chair, the four regional administrators and Meyer Cohen still very much included. This group would be supplemented with additional expertise as needed, and supplied by individuals who could contribute to the evaluation and selection of individual programs. The criteria was, of course, a selection based on the most useful programs for the most people within the limitation of funds. It need no longer originate from within the UN circle. It could be a bilateral program proposal or even one well underway. As long as it ranked reasonably close to the top of the list. The only measure of prejudice would be to lean a

bit towards the least developed countries. Usefulness to the most was the number one challenge.}]¹

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LaBerge: Okay, the second challenge.

Peterson: The second challenge was, as I have indicated, to man these 101 offices throughout the developing world. This in itself called for some extensive recruiting and training in programs.

The third was, of course, to identify and recruit the technicians that you would need for a given project. Also to set up a procedure to coordinate their activities, and to structure the organization needed in various new or different projects. As I have said before, within the first couple of years, we had then constantly between 10,000 and 11,000 technicians throughout these 130 or 140 countries that these 101 offices were handling.

We had another new concept to introduce. Interestingly, this was the same our U.S. commission some years earlier had recommended for the A.I.D. program to the U.S. president and Congress. This was the importance of looking at the projects that would be most useful to the most people, regardless of where they came from or limited to country boundaries. And to that end, we had specifically agreed that 15 percent of our total funds would be directed to interregional and global projects. That 15 percent was not sacred. It was something entirely new, as distinct from individual country projects.

Interregional Projects

Peterson: Bill Mashler had just joined us, a man with a very interesting and wide background in a somewhat related area. He took over the global and interregional concept and within months had it structured and on its way. The verdict by the time I left five years later was that nowhere had a given amount of dollars produced as much. In other words, of all the things we did, we got the most for our money out of the kind of projects which-- I'll be talking about that.

¹Bracketed material added by Mr. Peterson during the editing process.

These were interregional, or regional, an appropriate area in which to make studies or do research. Research centers in agriculture, control of pestilence, programs that involved cooperation between countries and where we had to mobilize talent from various countries and put them together, because it affected a whole area. Sanitation was another. Rivers don't stop at country boundaries.

Another new activity which was starting out was our UN Fund for Population Activities. Rafael Salas had also just joined us. He had been the number two for a then-prominent leader, who later became infamous in running the Philippines--

LaBerge: [President Ferdinand] Marcos?

Peterson: Yes, Marcos. He had been Marcos' assistant, and Marcos had gone far enough so, being the man Rafael was, he was becoming skeptical. His whole career had been in working with problems throughout the Philippines, so he was a very sophisticated gentleman.

Population Activities

LaBerge: So for instance, what did that--I suppose it speaks for itself, but what would you do with that Trust Fund for Population?

Peterson: [This we had inherited from a combination of John Rockefeller's activities and those of General William Draper from his Washington headquarters. Both had collaborated to some extent with the United Nations and their efforts throughout the world, but now it was officially a United Nations assignment. However, Mr. Rockefeller continued his support and active interest. Having worked with his brother David as a fellow banker and the head of the Chase Bank, it was an even more delightful experience to now have the benefit of John's active participation and advice. All this was very helpful for Rafael Salas in getting this underway.]

At this stage family planning programs were the major activity. These pretty much consisted of working with the families in maternal care and education with a supply of contraceptives and such in family planning. This, of course, included working with mothers and children in appropriate training along with proper medical attention. Approximately 60 percent or more of our funds were used in this area.

With time, this all broadened into education and broader fields of good living such as proper diets, good drinking water, et cetera. In due course, our biggest single country program was probably in Indonesia. There, we not only had Bob McNamara with his World Bank as a partner, but joining us were several countries including Sweden and Holland.

This "Population Activity" program really moved forward. Our first year, 1972, we had programs underway in eight countries. In 1975, our family planning programs were in seventy countries. So, Rafael and his group had a busy four years.]¹

LaBerge: So education, and--?

Peterson: Yes. Teacher training had been the one activity that had been consistently carried on during the 1960-'70 period, and continued. In those earlier years teacher training was for primary schools. Then later on, it broadened, of course, into various types of training programs, but at this stage we were primarily concerned with getting schools underway in these remote areas.

It was so successful that the one figure I had, at the end of the seventies, we had trained over 1 million teachers. This all is the developing world.

Recently visiting with John Oliver in New York, he reminded me that we were the ones that really got women into our activity. In other words, we assigned talented women for important posts all over the world. This was not only at headquarters, but we moved them out into the developing country areas and gave them key assignments, both as technicians and as the country representatives. In other words, they were the managers.

LaBerge: And not just as teachers?

Peterson: Oh, no. The teacher training program was so well along that frankly, I haven't gone into it here in detail. It was all set up and going strong in Paul Hoffman's day. But these other activities I mentioned because this was what we spent our five years getting underway.

LaBerge: I take it you did a lot of traveling.

¹Bracketed material added by Mr. Peterson during the editing process.

Peterson: Oh, gosh. [laughs] I sure did. In response to your question, earlier I was accused of a little bit of overdoing it in establishing the international side of Bank of America. So a), I was used to it, and b), I had learned there, maybe even earlier, that I'm a kind of a hands-on manager. I need to be out there with them, rather than communicating from a mahogany desk. Here again was a measure of parallel between the job in Bank of America and getting this show on the road.

Research and Production of Corn, Wheat, and Rice

Peterson: I spoke of Bill Mashler getting his regional and global division of UNDP underway. One of their very early starts was a joint effort in Mexico with the Rockefeller Foundation. This was a research center both on how to step up the supply of maize in the world, as well as wheat. The result of their efforts was that they stepped up corn, maize, to the extent they doubled the protein content of a head of corn. Actually, they contended that it matched cows' milk for protein.

In the process of doing that, they also developed a shorter stem to the maize that produced a bigger head. Less went into the stem. But the important part of that was that the shorter stem needed less water, so we gradually were introducing corn into drier areas. So in those first four or five years, we increased the production of maize by 50 percent. And when you realize that so much of this developing world is living on corn, it was their principal product, this is a tremendous additional supply of food.

There was much of the same parallel in wheat. In other words, it's almost the same proportion: they doubled the protein content of wheat, and again it was a shorter stem. Here again, it was made dramatic by the new areas that had never had wheat that were now growing wheat, and so here again, we increased in the developing world the supply of this food by approximately 50 percent in five, six years. I would say don't take me too literally on this five or six years, but by the end of the seventies, we at least had done that or more. We didn't start this until '72.

An interesting parallel that got underway at about the same time was in the Philippines, rice. There was this research center, and interestingly enough, they may have borrowed some of this technique from our friends in Mexico. This was largely a partnership of the Ford Foundation and ourselves. We supplied

the talent, but they were there with people they recruited with some of the talent. We ran it. We approximately doubled the food value, with the short stalks. We again stepped into new areas and increased the supply of rice by between 40 and 50 percent. So between these two, this was quite a contribution to the food supply in 130 or more countries.

LaBerge: And needing less water.

Peterson: That's right. And incidentally, some of this research helped India, by the end of the seventies, to become completely self-sufficient in food supplies.

These were the only two centers in the early seventies when we were getting underway. By the early eighties, there were thirteen comparable centers in the developing world, and five in the developed world. The result was, by the late seventies, they were researching sorghums, millets, root crops, and various other crops. Probably equally important was by the middle seventies or so, they'd taken on research as to pestilence control as well.

As Dr. App of the United Nations staff pointed out, these tremendous additions to our world's food supply became increasingly dramatic. As our research people moved forward, the tremendous potential had become increasingly evident. Ironically, some of this science had been available for a long time. Thanks to the resourcefulness of these two foundations and the added momentum which United Nations support provided, it made these discoveries and tremendous potential possibilities all the more dramatic.

LaBerge: In a lot of ways, your farm background stood you in good stead.

Peterson: That's right. This is also kind of interesting: in 1971, the year before this started, we were spending about \$20 million in various types of research. And by the end of the seventies, we were spending \$160 million, eight times the original amount.

River Blindness

Peterson: Let's talk a little bit about a project that was quite limited in area, but intrigued me very much. It was in Africa, particularly along the rivers of central Africa. We had a problem that was known as river blindness. Some of the richest

areas of central Africa along the rivers and valleys had been abandoned by the natives because of the threat of river blindness. They were almost semi-deserted, except for those who were already blind. This is something that comes on gradually. You are partially able to work, as you gradually go blind. Finally, you are completely blind.

About this time, Merck had developed a spray that seemed to be quite effective. The parasites that create this river blindness in humans breed in the rapid waters of a river. So we got together a couple of helicopters, and Merck supplied us with this spray. We didn't cure it, but we reduced substantially the infections from these parasites by spraying the rapids in the river.

The exciting thing was, of course, the final act. By the end of the seventies, Merck Drug had an oral pill which completely was a cure. There were side effects, with a measure of discomfort; but other than that, it controlled the situation. During the period I'm talking about when we were spraying, there was enough relief that a few people returned. But by the end of the seventies, with this oral cure, the valleys became completely repopulated. The people came back. I thought this was terribly exciting, that these valleys had resettled.

LaBerge: So I assume that's still going on today?

Peterson: River blindness is all gone. The last year I was there, they discovered that a couple of the river valleys in South America had it. Fortunately, they were more or less isolated. But today, I was told several years ago that it's completely eliminated. Incidentally, the drug that cured all this was ivermecton.

Increasing the Fish Population and Use

Peterson: Now, my final example, and probably it was the biggest we had, was our project spread throughout the developing world on increasing the population of fish. We secured an interesting gentleman, who's now back out here in California, by the name of William Ripley. For many years in the early fifties he had been first vice chief and then chief of the Fish and Game Commission in California. In 1953 and '54, he was with FAO, which is our agricultural agency in UN--

LaBerge: Do you know what those letters stand for?

Peterson: Yes. The Food and Agricultural Organization.

About the middle of the fifties, he was appointed the chief of the Bureau of Commercial Fisheries in the U.S., and that's where we got him. He came to us when we started the Global and Interregional Organization. So that would have been about '71 or '72. He was to direct for us and with us the research to increase not only the fish supply but also educate the countries who had fish available and were not making use of this valuable food supply.

Actually, at that time, the fishing areas in most of the developing world was limited to as far as you could see out, which was maybe eight or ten miles. All you had were canoes or very small boats. [tape interruption]

This kind of thoroughly amateur fishing, at least with the facilities available, left the possibilities of expanding the fishing industry and the supply of fish for much of the developing world wide open. The result was that this naturally made the area of research particularly intriguing to see how we could discover where the big potential was.

About this time, the Norwegian government came along and indicated they would be interested in joining our efforts. So the result was that they gave us one of the very modern research vessels, which they had developed for this purpose. Its name was the Fridtjof Hansen, which in due course became well known in many parts of the world.

They, of course, supplied us with a portion of the scientific talent we needed on this boat, and William Ripley the rest. Their first start was off the coast of Somalia in the Arabian Sea, and just below there, it joins with the Indian Ocean. They found that, to their surprise, there was a plankton down below which the monsoons and the winds of these two oceans stirred up, and brought up toward the surface. This plankton would provide an added nourishment as it rose toward the surface. It all became a very nourishable supply of food for a fish known as mesopelagic or "lantern fish" on its way to the surface. It was joined by other various organisms on the way up that made it all even more nourishing for various varieties of big fish.

LaBerge: Oh, I have heard of that.

Peterson: This lantern fish consumes this mixture with the plankton. It's kind of a small trout. It is considered very choice food by the cross-section of edible fish supply in these two oceans. The

big fish are largely tuna, king mackerel, sardines, grouper, and sea bass. The supply, before they were through researching in both oceans, they decided was approximately 500 million tons. I mention this only because--[tape interruption]--this was six to eight times the annual production of fish throughout the world. So as you can see, the fish in both the Indian and Arabic Oceans were well taken care of with this mesopelagic supply of food.

This, of course, led to accelerating research of the inventory of fish in various parts of the world. As a matter of fact, before I left, we had some twenty-five such vessels which we owned. They were under the direction of Mr. Ripley and his group, and were utilized for continuing research into various areas. When we weren't doing research, we used them to train native fishermen in various countries. They became very valuable to us.

These findings with this extensive research naturally brought on the need for fishing talent, and understanding and application of new fishing techniques. So the result was, we proceeded to establish training centers in various parts of the world. I must say, the countries were very generous in paying part of the cost of sending their native fishermen to these various schools. They wound up in these schools in India and Korea, in Senegal, and in Brazil. They came from all parts of the developing world, and weren't necessarily regional as such.

Along with this, there was a program of training people in construction of fishing boats and equipment. Soon they were building relatively large and well-equipped fishing boats to permit them to go into the richer areas and further out at sea.

Aquaculture

Peterson: Along with this, a new activity developed. It wasn't entirely new, because aquaculture was conducted individually, as someone put it, on a chicken farm basis. It had been discovered and it was not new in swamp areas and where there were water ponds, brackish water and sometimes less than brackish. But two things developed: one, they found in the African area a fish known as talapia. It became the predominating fish in this type of area, enclosed with fresh water, whether it be in ponds or swamp areas or such.

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LaBerge: Okay, the benefit of the knowledge and techniques that the fishing group--[tape interruption]

Peterson: Training for not only that development but for utilizing this resource was entered into at various training centers we had as well. The increase in the supply of fish food that this aquaculture development provided was indeed substantial. By the end of the seventies, it was estimated that major aquaculture projects were in 300-some projects in 105 countries. It was, for example, estimated that when this all started, there was a production of somewhere less than 2 million tons per year, and that had increased by the end of the seventies to 12 million tons.

Aquaculture was a rather substantial contributor, along with, of course, the added capacity in the seas of the world. The developing world, which of course has the big share of the oceans and the water of this world, might have been providing around 20 percent of the fish production of the world at the beginning of the seventies, by the end of the seventies was almost equal to that of the developed world. It was a tremendous increase in food and the food where it was most needed. [tape interruption]

Law of the Sea

Peterson: Oh, yes, there was another development that came out of all this that was interesting. In the late seventies, the importance and the production of fish in the world had reached the point that international--the countries of the world decided that proper use and control of this should be discussed. So there were a series of conferences held in the seventies, and then on into the eighties, in which both the developing countries and developed countries collaborated.

The result was what became known as the "law of the sea," which incidentally U.S. did not sign, but I'm sure we accepted it in spirit. The reason we did not sign it was that somewhere along the line, the other nations decided a discussion of the mineral resources of the seas, as long as they were about it, should be joined with the fish. Due to our situation, our knowledge, and some of that knowledge of utilizing minerals of the sea we did not want to disclose, so we did not sign it.

But basically, as far as the fish were concerned, everyone agreed, the law of the sea was accepted, and this called for

collaboration, and also limits. In other words, any country is entitled to the rights to the sea opposite their shores up to 200 miles. They have jurisdiction over that area. However, when you go beyond the 200 miles out to the sea, then the law of the sea calls for collaboration between various countries in that region who would have an interest in it, and that seems to have worked out very constructively. But the point is that the world since the eighties is on notice that this tremendous food resource we have in our seas is entitled to careful study as we move on into the future.

Well, that about finishes up some of the highlights of the seventies, at least my five years there. [tape interruption]

[To say the least, this was an interesting four and a half years. The UNDP programming, our part of it in the programming projection for 1972, was \$3.4 billion. Four years later, my last year, it had increased to \$5.1 billion. Possibly even more important and interesting was the ingredient that Mr. Hoffman had initiated. Each country must contribute to each of its projects in proportion to its capacity. That contribution to some extent was subject to negotiation. In Iran, it might be 80 percent and in Botswana, 10 percent. In Botswana, the contribution might largely be in kind instead of U.S. dollars. At the outset, it represented in total an overall contribution of over 50 percent to 54 percent to be exact. Four years later, in 1976, it was still 54 percent. With the tremendous expansion of these programs, I think that was pretty remarkable.

Another remarkable and interesting participation was the record of our young interregional and global program. Our contribution in the first couple of years was something of just \$1.0 million. (I don't have a figure for the end of the four years, but it was somewhere in that proportion.) We had attracted participation in the projects from other sources throughout the world. At the end of the period, it was something over \$2.0 billion. There were projects all planned and managed by our global and interregional people. A more objective summary of my five years is probably the following excerpt written ten years later.)¹

"Having helped set UNDP on a new course, Paul Hoffman retired as administrator in January 1972."²

¹Bracketed material added by Mr. Peterson during the editing process.

²David Owen, UNDP's co-administrator, had resigned in 1969 to become secretary-general of the International Planned Parenthood Foundation.

For Hoffman, the years at the United Nations were, he said, 'The best years of my life' and his stewardship of UNDP 'The most fascinating job I've ever had.'

He was succeeded by Rudolph A. Peterson, a former chairman of the Bank of America and director of a U.S. presidential task force on international development assistance which had recommended increased U.S. reliance on multilateral forms of development assistance. For Peterson, the goal was an organization 'respected for its performance.' He had built his banking career on organizational ability, and his four-year term as UNDP administrator saw a major expansion and strengthening of the field office network. By the end of his term the decentralization process mandated by the consensus was virtually complete, and UNDP's development service network had become a recognized centre of onscene problem solving."¹

The Commission on Unethical Practices

Peterson: [About late 1975 or early 1975, I received a call from the chairman of the United States' portion of the International Chamber of Commerce. He explained that the International Chamber of Commerce headquarters in Paris were setting up a new commission. Its assignment was to make a study of what might be done to hopefully reduce, in some measure, the corrupt practices in business--both private and government--in international negotiations and transactions throughout the world. This Commission on Unethical Practices was to be chaired by Lord Shawcross of Britain. Each membership would consist of one representative from each of the major countries such as France, Germany, and the United States. The remaining eight members such as Japan, Iran, Brazil, and Saudi Arabia, would represent the countries in their part of the world.

About that time, several reportedly questionable transactions had taken place. The most prominent in the United States at the time involved transactions between Lockheed Aircraft here and Japanese politicians involved in some of

¹The preceding is an excerpt from Generation--Portrait of the United Nations Development Programme 1950-1985. Division of Information. New York, 1985, page 30.

several government transactions. Meetings followed each month in Paris during 1976.

There had been an interesting precedent for this some years earlier on the subject of ethics in advertising. The recommendations and subsequent international standards that had been established had proven quite effective. The interesting disciplinary approach here had been one of demanding candor. If a firm chose to vary from the standards that the commission had recommended and the International Chamber had established it only called for a complete report by the organization involved of the variation and their reasons for it.

Along with this was the consent that this variation or violations could be passed on by the ICC to all firms who might have any interest whatever. The call for forthrightness had seemed to work.

While the problem our commission was trying to resolve was much more complicated and would have a measure of legal complications--the proven element of forthrightness entered prominently into our considerations. As a result of their recommendations, the International Chamber of Commerce established a set of clearcut recommendations to governments and business enterprises throughout the world. Basic rules were established involving political contributions as well as company codes. A panel was appointed by the ICC to "promote and oversee the application of these rules of conduct." Likewise a small committee was established to "elaborate the bylaws of the panel."

In addition, in 1977, the ICC recommended to the UN that it establish an international treaty under its aegis to "induce the various governments to take the necessary measures and promote cooperation between governments which would facilitate the elimination of corruption."]¹

¹Bracketed material added by Mr. Peterson during the editing process.

XVI CALIFORNIA ACADEMY OF SCIENCES

History

Peterson: An activity that became rather major for me after I returned from the United Nations was my participation in the California Academy of Sciences out in Golden Gate Park. This and various other community projects was of course part of our activity while I was in the bank, as distinct from sitting on the boards of business organizations. The chairman of the board of the Academy came to me, I guess it was about 1968, at which time I was sitting on our museum on contemporary art here in San Francisco. He wanted to know what I knew about contemporary art, and I assured him very little.

"Well," he said, "why then don't you come out to the Academy? After all, you grew up on a farm. You know something about botany." This made a lot of sense, so that I suggested to my colleagues at the museum that I had a colleague in the Bank of America who knew a lot more about contemporary art than I did, and maybe he would be an appropriate substitute. They didn't seem to resist very hard, so I in turn joined the Academy of Science.

Of course, Morrie Cox had a bit of an advantage there, and I'm not sure that he didn't know that I had formed quite an attachment to the Academy in my academic days in college. I attended summer session following my sophomore year at Berkeley, and inasmuch as in those days, in the College of Commerce we practically--we combined undergraduate and business school work all in four years, so there was very little time for interesting, nonbusiness studies.

So I took a course in early Western civilization during summer session. This called for some outside studies in order

to prepare papers that were called for. Some of the material that I needed was in the Academy of Sciences, and I spent a good deal of time there on weekends. That turned out to be a very pleasant pastime on Saturday or Sunday, not only because of the material that I found and the study was very interesting, but it also intrigued my girlfriend, and made for a very economic date. So Pat enjoyed it very much, and the fact that out of it I got an A on the term paper made it even more gratifying.

However, my participation was rather minimal as far as any contribution was concerned until I came back in '76 from the United Nations. At that time, they put me to work rather promptly, and I was asked to become vice chairman of the board.

[The California Academy of Sciences was undoubtedly one of the first cultural institutions on the West Coast--1853. It was founded by an interesting combination of entrepreneurs in mining, timber, agriculture and even medicine.

In the early stages they were successively in two or three locations in San Francisco. About the end of the 1800s, Mr. James Lick gave as a gift to the Academy a building on Market Street, between 4th and 5th streets. The 1906 earthquake and fire destroyed this, but not before Alice Eastwood managed to rescue quite a portion of specimens. At about the same time, a ship arrived in San Francisco Bay loaded with specimen collections from the Galapagos Island area destined for the Academy. So Miss Eastwood was able to pretty well establish again a reasonable collection.

A new truly commercial building was replaced out of the insurance funds. I emphasize the commercial part of this building because over the years those rental funds were a major source of support for the museum. As a matter of fact, it was only three or four years ago that we sold this building, fortunately at the peak of the market for \$13 million. Hence, it is still one of our major sources of financial support.

The museum carried on at various interim locations until the North Hall in Golden Gate Park was completed in 1916. Then in 1923, the Steinhart Aquarium was added. Fortunately, about this time the first president of Stanford, David Starr Jordan, was able to spare some time to the Academy as their Chairman of the Board of Trustees. His good friend and scientist, Professor Everman, was president and director and provided the active management of the museum.]¹

¹Bracketed material added by Mr. Peterson during the editing process.

LaBerge: What an interesting history.

Peterson: It always fascinated me.

Search for New Director

Peterson: Well, in any event, not long after I had been given my limited chores as vice chairman, George Lindsay called our attention to the fact that he was due for retirement within the next year or so. The board promptly decided that the vice chairman should also be chairman of the new committee to find a successor to our director. So that was an interesting assignment. We naturally had no difficulty finding some interesting candidates.

LaBerge: Were you looking for scientists?

Peterson: Well, naturally we wanted someone with a scientific background, but we also were looking for someone who could direct the activities of an institution such as this, which was very much a community project. This meant that we not only needed an executive with management abilities of what today was a pretty vast organization with such a variety of activities. I guess it's not unlike looking for a university president in talents, except we needed somebody with probably more than the average background in science.

After many visits with gentlemen in various parts of the country, as well as outside of this country, we narrowed it down to a dean of Yale, Dr. Henry Foster, who felt that he had had six or seven years at Yale and accomplished the job. He was the dean of their scientific studies there. The president of Yale, who I visited with, assured me that it would be Yale's loss in a big way, but he understood fully. He thought it was quite reasonable why he would want to take on a new assignment. I must admit that I was quite intrigued also.

At the same time, we learned about Frank Talbot out in Australia incidentally from a couple of our scientists who had known of him. Frank had, as a young man, been number two in a natural history museum in South Africa, where he grew up and was educated, with a doctorate. His education also included some limited studies at Stanford. As a young man, he and his wife had moved out to Australia, where he had been the director of the Australian natural history museum in Sydney.

At the time we were interested in him, he was the director of the Macquaire University. He was chairman of the environmental studies there. With the committee, he was in both his role as chairman of the museum and his current activities of the environmental studies in the Macquaire University, his record was outstanding. His scientific research work was such that it was obvious our scientists at the museum were very interested in him, not only those who had known him, but those who knew of him.

So both of these gentlemen spent time with us, and it was pretty much a draw as far as the committee was concerned. I must say, I think the decisive factor in making us lean over toward Frank was the enthusiasm of our scientists. I think Frank joined us early in 1982. By that time, the board had decided that I should devote more time and attention to the Academy, so they had made me chairman of the board in 1980. That, of course, meant with the arrival of Frank Talbot a good deal of time was needed, particularly during the transition, as he was getting ready to take over.

Fund Raising

Peterson: [However, our new director was not one to lose any time. Heretofore any major projects have been the result of a sizeable individual gift, or a generous bequest from one of the individual friends of the museum. My guess would be less than a dozen over the previous fifteen to twenty years. I do not recollect hearing of any organized community drives to raise funds for any project. An example was well underway when Frank arrived, thanks to the generosity of Phyllis Wattis, who earlier had given us the bulk of the funds to construct the Hall of Man.

This time Mrs. Wattis had decided it was time to have the African Hall redone. This had been with us for many years with outstanding African exhibits. Some of the specimens of animals had to be redone, others replaced.

Then a bit later came another generous donor to redo the back end of the Hall. It was completely opened up to permit our visitors to walk through the area among the outstanding collection of animals and bird life. In addition, calls would come forth from various animals and birds typically of the African forest. These recordings taken throughout the African forest had been set up to be repeated every thirty minutes. You

can imagine the thrill this provided in walking though this area, particularly to children.

We all agreed that the time had come for an organized effort to bring the community to an even greater extent into the Academy, which of course would include raising the necessary funds for various projects which we had planned. Our efforts on this score in the ensuing two and a half to three years produced approximately \$16.0 million.

The major of these projects was what is now known as "Life Through Time." Some years earlier George Lindsay had completed a structure across the back of the museum stretching from the Hall of Man almost to the aquarium. Incidentally, the McBean Foundation and I had kind of shared in financing it. This had been the setting for various temporary exhibits that "came and went" in the museum.

The plan was now to turn this into an exhibit which would not only display the evolution in the development of man, but to some extent botany as well, over the intervening millions of years. Hence, it starts at the aquarium end with the Jurassic age and moves on through the passage of the ages until it appropriately arrives at the Hall of Man. With today's facilities of transmitting to listeners the stories with each exhibit, the millions of years represented not only became exciting, but quite educational.

Subsequently, the North American Hall was turned into what is now called Wild California, thanks in large part to the generosity of Jeffrey Meyer and his family. As the name indicates, this is a cross-section of wildlife out here in our part of the world.

In the process of all this, the concept was developed to promote and acknowledge lesser contributions in the form of individual exhibits. This not only further broadened the base in giving throughout the community, but was a major factor in expediting the financial side of these major exhibits. All this has not only broadened the participation in community activities over the past ten years, but likewise, considerable measure has broadened the museum's participation in the community.

Certainly, Frank Talbot's role in these key six years has been very significant. His participation in helping us to get the combination of support that we received from individuals, families, and foundations throughout the community for these various exhibits was very real. It was also the more understandable why Secretary Robert Adams would be so interested

in having him tackle the major challenge which he took over at the Smithsonian. There was, of course, more to be done, but at this point we decided to declare somewhat of a recess on our fund-raising efforts.]¹

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LaBerge: You decided to take a break, I guess, from raising the funds?

Peterson: In other words, we would call that the end of the drive. We had a third project that we had had in mind, and that was to cover the center patio, put a cover over that, and there divide it into four main sections with passageways through, but one section would be a rain forest, a quarter; another section would be a desert setting; another would be an assortment of tidepools; and the fourth one, incidentally adjacent to the rain forest, would be a mountain rain forest. There's a distinct difference. However, we decided we should set that aside and get under way with the record, of course, funds that we had acquired. So these two projects have now, of course, been completed for some time.

In due course, this was, after my five years had expired as chairman, the natural history museum of Washington--

LaBerge: The Smithsonian?

Peterson: The Smithsonian, came out to suggest to Frank that maybe he should come back to the Smithsonian and take over in their Natural History Museum. He could, being a man who had already made some real history in the natural history world. He finally succumbed to the number-one job in the United States on that score, so he's there at the present time.

The Council

Peterson: However, that brings up a second activity. In the efforts I've just outlined, the results came about during Frank's years of very much bringing the community into the museum considerably beyond anything we had ever done. As a result, some of us felt that we needed to have some of the leaders of the community sit in with us from time to time and give us the benefit of their observations. What we had done that was wrong, and what we

¹Bracketed material added by Mr. Peterson during the editing process.

hadn't done that we should have done, and so forth. However, these are men who could not obviously come spend several hours every month out at the museum.

So we suggested that we should set up a council, advisory council. It's now known as the Council of the Museum, and consisted of men like the president of Stanford, the chancellor of U.C. Berkeley, and some of our very active business leaders in this community, as well as cultural. We would meet twice a year, and we would ask them to join us for lunch, and then spend most of the afternoon with us. It was limited to about twenty members. We were very pleased with the extent to which these busy leaders have participated. It has continued on now for the better part of some ten years. In the process, and I will take a minimal credit for that, the one and only late Ernie Arbuckle, who was the dean of Stanford University's business school, who was on our board, took the lead in this. We hardly had a single turndown from these men who had so many other things to do. The council continues, and it makes a very real contribution. We just had a meeting the other day.

LaBerge: So you're now on the council rather than--are you still on the board also?

Peterson: Well, as a matter of fact, [laughs] at the end of my five years, when I was stepping off the board, was about the time the council was formed. They said, "Well, you just continue on as chairman of the council." I'm still on the council, but I'm not the chairman. But to me, it meant a great deal, and I was pleased to have an opportunity to spend a good part of the last ten, fifteen years in the Academy. I'm still involved.

High School Teachers Program

Peterson: For some years, we had had a program with the high school teachers in this area. Four times a year, our scientists and interesting visiting scientists hold an all-day session with the teachers--I believe it starts at eight-thirty and adjourns at five o'clock--in which they take turns of discussing current developments in areas that would be of interest to science teachers in the high schools in this Bay Area. It had been very successful. I had nothing to do with starting it. But it seemed to me with its success and teachers coming for the entire day, that it should be extended to the high school science teachers throughout northern California.

So we set up a program whereby we would bring in fifteen to twenty teachers for three days over each of these periods, so they would get in on this Saturday session four times a year. They would start on Thursday and would be guests of the museum. We have a very attractive facility where they could all stay together, a kind of a motel-like arrangement right next to the park. We started that about five years ago. I joined in a couple of the sessions and sat in with them, and to see the excitement and enthusiasm of those teachers coming from Bakersfield area or up in Butte County or whatever, was a real inspiration. Our scientists felt the same way about it, who of course devoted the three days to this. They were all together in the Saturday session, but the other two days, the meetings were with our scientists in the museum.

LaBerge: That's just the kind of thing teachers need, an extra--

Peterson: That's right. So I had financed it for the first couple of years, so naturally, once it was proven as successful as it turned out to be, I was encouraged to see if we could not get somebody to put it on a permanent basis. So thanks to the Irvine Foundation and Hewlett-Packard, I visited with each of them, and suggested if they would be willing to commit to finance this thing for five years, it would mean that our people there could prepare some material on these current developments and such that they could take back to their high schools. This of course involved a pretty husky sum of, I guess the better part of half a million dollars. They both agreed to divide it up, so now it's been on its way for two years, and it's got three more to go.

I guess the thing that convinced me was after the first two or three--we have four of these a year--I learned that teachers that we had up from Trinity County and up in that area the following year, they got a bus of their own, got underway at four in the morning, were here at eight-thirty, and then got home sometime after midnight that night. They did this entirely on their own to get in on this Saturday session. And this has gone on increasingly, so that I had no problem convincing these two donors to underwrite this.

LaBerge: So a good part of your job on the board was to find funds?

Peterson: Yes, in part. And that's where I give Frank credit, because he became so much part of the community. He got out into the community. He not only directed the scientific research and the rest in the museum, but he became part of the community and had people involved beyond anything that we had ever seen. The result was we got the directors to give us a hand in visiting

with people that they knew. We set up a formal development section in the museum to work on that in a professional way which we had not had before. But that was the point in structuring this into what I guess we would call a modern museum.

I have no official status except I am continuing my interest out there in this work with the high schools. I have been underwriting a new extension of this program. In some areas, we have the millions of specimens, the largest in the world in some parts of wild animal life. So we're setting up these boxes, and along with them, appropriate literature for teaching. We are lending these boxes of specimens to high schools for two weeks. We will deliver them to the high school, and then they in turn will return them to us at the end of two or three weeks, and then we pass them on. We eventually hope to have a half a dozen high schools at a time with set specimens. This will be a matter of fifteen or twenty boxes, and they are very elaborate. So that is now underway, and going well. If this becomes as exciting as I think it's going to be throughout, then I will start looking for another Irvine Foundation or Hewlett-Packard. In the meantime, I've talked with our people at the Academy, because they feel they're ready to go beyond with both literature and specimens into the middle school area in northern California. At this level, it will mean sending along trained people for temporary stopovers. We also have in mind centers for the handicapped and such.

And I might say, both on the weekend meetings and this idea of the use of the specimens in teaching, we're getting inquiries from southern California now.

LaBerge: Well, as someone who has used that museum a lot with my children, I really appreciate all the work that you've put in. Normal people who go to the museum have no concept of what's behind the scenes.

Peterson: Well, I have a number of situations like these going on. What I liked about the high school teacher program was that once we could prove that it was worthwhile, and it had proven itself with attendance and support and such, we could go to somebody who could carry it on in an expanded way for many years. That's why I'm now on these boxes and teaching material. I hope eventually this will be number two. Incidentally, I didn't mention, at one stage the foundation who had supported initially the Saturday morning deals, pulled out, so I had both of them.
[laughs]

Since then the scene has shifted to down the coast, in the Monterey area. I have a couple of projects going on down there in the Elkhorn Slough Foundation. It's the big slough that goes inland between Monterey and Watsonville. Teachers bring their students by the hundreds. What they would like to have are not only booklets but some picture setups for the students, as they show them exhibits. So I'm in the midst of that now. So that when the teachers bring their students in, they show them carefully prepared exhibits and pictures before they go out. Heretofore, they'd only been able to take them on tours. Now, they can combine the two.

And the Salinas School District also has another project that is somewhat similar to this but pertains to classes in botany. They develop grounds, and grow things around the schools' grounds all under teaching supervision. So we have that one underway. Some of these projects are going to be flops and not be successful, and that's to be expected. But when those are successful enough to become part of a school program, we then go to a foundation or some other major organization and be sure it's carried on indefinitely.

LaBerge: I guess all this work is what keeps you young. You have so many interests.

Peterson: Well, it's kind of fun.

XVII THE ASIA FOUNDATION

Beginning in the Fifties

Peterson: Another assignment that accrued after I came back from the United Nations was the Asia Foundation. Some forty years ago, under the Eisenhower regime, the Asia Foundation was set up. In other words, the Radio Free Europe had been so successful that they felt we should do something for Asia to build our relationship with that part of the world. I presume they decided the Asians were too sophisticated for propaganda, so they decided they should set something up more tangible. So, for those who were interested in our approach to life and government and such, that we would assist them in developing democratic approaches to life, with proper court systems, and measures that build constructive government.

So the Congress agreed to make an annual appropriation, but the Asia Foundation should be operated entirely by private citizens. A board was set up of selected citizens with the concept that after the first board, they would select their own candidates. So it would move on in perpetuity but be entirely privately managed.

The first board was, of course--there are about a dozen on the board--on the board was the president of what is now Chevron, Standard Oil; the president of Columbia University; the chairman of Mobil Oil Company; and men of that caliber, outstanding not only businessmen but academicians, to a total of about a dozen. This has continued on in these forty years.

Chairmanship in the Seventies and Eighties

Peterson: The Asia Foundation had just gotten underway about the time Bank of America made its early entry into Asia. As a matter of fact, Russell Smith, upon retirement, had taken over the presidency for an interim period, until he was able to recruit Haydn Williams as president a year or so later when he assumed the chairmanship. So, upon my return from the United Nations, I was not only asked to join the board, but Russell Smith felt he had been involved long enough and asked me, on behalf of the board, to take the chairmanship.

My time involved was with monthly meetings and also various activities with the organization throughout Asia. I became much more involved because about the beginning of the eighties, the Congress had been cutting back, started to cut back on the budget of the State Department. This was in the [President James Earl] Carter years, through the beginning of the eighties. It finally reached the point where for two years, the State Department did not even include us in their provision for the budget. So Congress took it upon themselves to provide us with a \$4 million budget, but that was down from around \$10 million from the earlier years.

So one of my early mandates from the board was that, "We wish you would let the State Department and Washington know that if they don't want this, we have a reserve to take care of the employees, we'll liquidate it for them." Well, I had just gotten underway with this challenge on my hands when the new administration came in--

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LaBerge: Okay, you had just come in as the chair. It sounds like you often came into these jobs when there was a problem, and you were expected to solve it, and you did. [laughs]

Peterson: That's the only time they ever wanted me. [laughter] Once the problem was over, well, then they could go on.

I met with George Schultz and his assistant, and our president, Haydn. The four of us had quite a session there early in the eighties. I delivered the board's message. We had about two or three years of this with an appropriation down to the \$4 million mark, and had to strip everything down to a minimum. George said, "Will you please postpone any liquidation and let us see what we can do about it?" And they did, so in the course of the ensuing first year, they insisted that the



*To The Honorable
Rudolph A. Peterson
With best wishes*

Gez Bush

Rudolph Peterson and Vice President George Bush, 1985.

State Department give us at least the minimum support that we needed.

In the meantime, of course, we had had some measure of support from the outside, foundations and such. But, without reasonable government support, it probably would eventually have failed.

Congress' contribution moved steadily up. By the beginning of the nineties, our government grant was around \$16 million, and has remained there. Our outside grants run about \$23 million, so we have moved up from a \$7 million to about a \$40 million budget.

LaBerge: Are you still on the foundation?

Peterson: Oh, yes. But I, of course, tried to step out as the late eighties came along. We had our budget back up and our activities built back to normal. As I was trying to step down, Haydn was ready to retire, and the board said, "Well, you've got to stay there until we get his successor and go through the transition." So I finally stepped out at the end of eighties; in '90, I stepped off.

LaBerge: Who was his successor?

Peterson: His successor is Bill Fuller. We had a very interesting cross-section of candidates. By this time, the Asia's \$40 million budget was really creating history as it moved through. Bill Fuller had spent his early days, after he had gotten his Ph.D., with the Ford Foundation out in Asia. In due course, he was asked to come into A.I.D., our own foreign support organization. He had represented them in Asia, and in more recent years had been brought in as number two and the operating chief of A.I.D.

Interestingly, his wife had been involved in various activities in Indonesia when they were there, and in various other countries concurrently with his own activities. They did not have any children, so she was free to carry on professionally. So they made an ideal couple. He has done in his three years an outstanding job, and continues to broaden the base.

Fulfilling the Goals of Democracy

LaBerge: How did you go about fulfilling the goals, like how did you go about promoting democracy?

Peterson: We worked almost entirely with citizen groups, with "NGOs" nongovernment organizations. For example, if such a group might want to improve the legal code and the court system of their country, not only would our own people assist them in that particular country (we had offices in most of these Asian countries), but we would bring in talent that they needed to help them. In turn, we might bring some of their younger talent here to the United States or elsewhere, and let them work--spend time with our people in our courts here. Incidentally, the membership of these NGOs was largely a younger generation than the established government people.

This same procedure would follow where they wanted to improve their legislative structure, to make it more democratic, and/or step up the talent, to reorganize the system. We would either bring in talent or bring them over to our setup. In many cases, instead of working with the federal government, we'd have them work with the state government, whichever would be more appropriate.

But we were available to work with any group to develop greater freedom for citizens, and develop a more democratic atmosphere and structure. In other words, do anything that would be a plus for the citizenship, and 90 percent of the time, it would be nongovernment groups who were interested.

The Philippines

Peterson: Probably the most dramatic example was the change in the Philippines. As you will recall, President [Ferdinand] Marcos was getting stronger and stronger, and the assassination of [Benigno] Aquino of course kind of gave an additional push to the reaction. Eventually, his wife [Corazon Aquino] was elected. But well prior to this, a Catholic organization of citizens that had been formed to develop not only the interest of the Philippine citizenship in their elections, but a better understanding of them, and also help them establish a system to keep them reasonably honest.

That had reached far enough along that two years prior to the big Marcos election, it had shown its influence of these organizations that had been formed to police the election results and such. It was recognized they were notably more honest than they'd ever been. I might say that about this time, we actually formed a partnership with what was known as Namfrel, which was an umbrella organization. The popular name was the National Education Association, which was an outgrowth of the effort that the Catholic church and this nongovernment group had promoted.

Part of their technique was that they recognized that--they utilized radio, which Filipinos would listen to. At one stage, this station--[tape interruption] This radio broadcasting was, of course, supported by this organization, but at one point, the radio station was going to close down, because the support was lacking temporarily. Within forty-eight hours, the Asia Foundation had raised the funds that kept them going on from there. And of course, as time moved on, it was necessary on a couple of these stations to have their location as little known as possible, because the military would want to close them down.

But the alternative that really got underway before the radio stations was the comic books that we put out. In other words, we recognized that with so many of the people who couldn't read very well, we should tell this story with comic figures and designs. At one stage, we printed and circulated up to two million booklets in three different languages.

LaBerge: What other language is spoken there?

Peterson: English is one, Spanish, and Tagalog.

The result of all this intensified the reaction as we moved closer to the final election in which Marcos was thrown out and Aquino was put in. At that time, the military was of course in two sectors. The military that had disapproved of Marcos and then the rest, of course, were trying to break this up.

I remember the man who had directed much of this from the start was actually a member of the Catholic church, but he was a good deal more than that. He was an academic. He was over here and visited with us at lunch. He contended that at the peak of this, one of the radio stations was in a tall building not far from the Catholic cathedral. The word came through that the antagonistic part of the military had identified where this radio was located that was telling the people what was going on and also giving them the count on the election. Fortunately it was close enough to the cathedral that they could gather up a

lot of nuns, and they filled the passageways of the last two stories full of nuns, according to him. [laughter] Those were the kind of stories that we did not research afterwards. But it was very interesting.

As you will recall, the president sent Senator Lugar over to take a look. A couple of other official missions were also there to check the results of the election. The verdict was a reasonable honest accounting of those results. We gathered from the Washington end that the consensus brought back by each of these groups was that Asia Foundation was a principal contributor to the results that came through.

And, of course, with this sort of activity, we had a number of family planning programs. Various nongovernment organizations were working with these structures of assisting mothers and families in diet and planning and all the rest with it. For some years now, we've had that entire program to run for them.

LaBerge: As part of your job, did you go on some of these missions to visit?

Peterson: Yes. I have been over there, but I was not actively in the midst of this. But to me, the remarkable thing is that here you had a tremendous gathering of thousands of people during all this agitation, and during the revolution. And I find that our representative in charge of our activities over there agrees with me that the women had a tremendous impact. You realize with hundreds of thousands of people in a revolution, nobody was killed? It's just unbelievable. But I give the women credit.

As a matter of fact, our representative told me that when the Marcos side of the military were moving in against Ramos and the defensive group, that the women largely formed a circle around the aggressive military contingent. It wasn't all that big. There was just enough Catholicism, even in the rebellious military, that they did not cross that female line. She says she thinks a large portion of those present were nuns, incidentally, in that case too.

LaBerge: Is the Asia Foundation in about every Asian country, like Korea or--?

Peterson: Yes. We're not in India. They threw us out early. And in the meantime, the ambassador has been talking with us a great deal, about returning. But our people all agreed that we wanted an official invitation from the Indian government, which has never

come through. We have plenty to do elsewhere with the facilities we have.

But I might say also, looking over the rest of Asia, that generally, we have done two things in the recent five or six years. One, we have enlisted the services of the former Dean [Bud] Cheit of the business school. Under this program we have participated again to a large extent with nongovernment groups in helping them develop their economic situations in a number of these countries.

Center for Pacific Affairs

Peterson: Haydn Williams formed before he left what we call CAPA [Center for Pacific Affairs]. It's largely a group of business leaders here on the West Coast, and some from Washington. They have regular meetings in Asia and with their counterparts in various Asian countries. These discussions and meetings have had a good deal of influence, we believe, on some of the decisions our government has made as far as their Asian relations are concerned. Here we've come close to the political end, but these meetings and discussions have been 50 percent or more Asians along with some of our leaders here in this country.

In CAPA we particularly included younger leaders, younger men, who are coming up. Many of these meetings are not with the number one or number two in the country, they're with some of the younger men. We feel in another eight, ten years, they'll be in the position where they will be directing affairs.

LaBerge: Do you still have something to do with picking people to be on the Asia Foundation, or in CAPA?

Peterson: Well, up until the last year or two, yes. I was very much involved when CAPA was organized about five years ago. Many of these new additions and changes were structured in the last half of the eighties. In '90 finally, Bill was established, so I stepped out of the chairmanship. I am still, of course, on the executive committee.

Dedicated People

Peterson: I think much of the answer has been the outstanding people we've had who have given their time on our board, and whatever else

was necessary. For instance, currently we have men like Lucian Pye, who admittedly--MIT--is the number-one authority on China. We have Bob Scalapino, who was the head for many years of the Asian division over at the University of California. He is still very active, even though he's retired. But those two men have been invaluable as members of our board. Herb Cornell was the first chairman of the East-West Center when it was founded over in the Hawaiian Islands, and has always been in that part of the world very much of an authority on Asia. And Gwin Follis was on the board when I came along, the former head of Chevron. Also we have Mrs. Maurice Moore, sister of Henry Luce, who with her brother grew up in Asia.

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LaBerge: Gwin Follis?

Peterson: He was the man who built Standard Oil of California through the years.

[While on the subject of this board's active participation, the key performer through these trying eighties had, of course, been our president and director, Haydn Williams. He joined us in 1963, so that by the time the eighties approached, he was quite a veteran. It was certainly his persistence that kept the situation alive in those early eighties. The highlight of this was when for two years the State Department didn't even include us in their budget. The Congress themselves inserted that minimum appropriation of approximately \$4 million.

Then, as we moved on into the latter half of the eighties, it was he, with the board of directors' support, that broadened the base of our activities and usefulness throughout. Meantime, the United States' own A.I.D. had obviously been impressed with the results and increasingly they were asking us to direct and manage a number of their programs throughout Asia. This helped us move into the \$35-\$40 million budget area before the eighties were over.

For some years now we have had another interesting program with the Luce Foundation. Each year they select, from a list of outstanding young scholars, a dozen to fifteen who wish to participate in a six-to-eight-month program in Asia. From there on, the Asia Foundation takes over and assigns these young people to the various programs in various countries in Asia which have been set up. Needless to add, the success of this

program has increased the list of applicants tremendously each year.]¹

LaBerge: For the most part, are the personnel who do the work in the countries natives, or do we have American staff?

Peterson: Historically, the manager and the number two man, or woman, in each office were usually Americans and the balance of the staff local Asian employees. Increasingly we have moved toward increasing the Asian population to the point that we now have a couple of countries where the entire office is Asian including the manager. However, we probably will continue to have largely experienced Americans at the management level but increasingly the balance of the staff Asian.

¹Bracketed material added by Mr. Peterson during the editing process.



Rudolph and Barbara Peterson. Receiving the Chancellor's Award, University California, Berkeley, 1991.

XVIII OTHER VENTURES IN THE 1990S

University of California Venture in Nemea

Peterson: While I was still here busy in the bank in the late sixties, Roger Heyns was then chancellor at Berkeley, and he met with a few of us to discuss the possibility of us setting up a sort of a medical school in the Berkeley side of the bay. It was kind of an interesting concept. He had asked Steve Bechtel, Sr., Edgar Kaiser, Senator [William] Knowland, and myself. The four of us met with him on several occasions, and he outlined the thoughts he had in mind.

It would be a combination in the East Bay of at least two years with active classes and medical studies on the campus itself, and then two years divided between practice and some measure of academia on the campus. But practice was something volunteered by a group of physicians and hospitals over in the East Bay. I'm inclined to think this idea came out of a group of physicians themselves. At that time, they had an organization there, and my former classmate and fraternity brother, Stan Truman, was the president. But they would work in the hospitals and with the physicians in their practice for their training.

I think Roger's thought was, this made an interesting community project, and would provide training and medical training facilities for a broader base beyond what we were doing in San Francisco. It wasn't a case of competing with them; it was simply broadening the base of medical training. For some reason, it finally didn't materialize.

In the meantime, I had met with Charlie Hitch, the president, and said, "Here, I have set aside with the treasurer, [Owsley B.] Bod Hammond," who was the treasurer of the

university, "some funds, because I felt that if this thing materialized, there would come a time where maybe a few hundred thousand dollars might help fill a gap somewhere along the way." And when it died, I mentioned this to Charlie. I said, "What do you--if you have something rather important to the university that you'd like to have some help on, well, the funds are there and I can add something further to them."

I had moved on to UN, and New York, and Al Bowker, who then had succeeded Roger Heyns, was the chancellor, came in to see me. He said, "We need some help on a very key situation. The Greek government have selected us, out of quite a list of candidates, largely universities, to do the digging in a place called Nemea. It is south of Athens, down in that peninsula below the canal, the waterway there." Some digging done in 1913 had uncovered a temple. It was apparently quite a settlement. "We need some help to get it underway, because this is quite an opportunity. We have a ten-year contract."

They had then started digging, and so the result was that early the next year, Barb and I visited Nemea, with Steve Miller, who is the professor in the Department of Classics.

By this time, Nemea was quite an exciting story, and Steve outlined it to us. In the last few weeks before they closed down the previous fall, they were working on an area that looked interesting. It was a kind of a two-thirds circle of hills. It looked to them like something that might have been the setting of some sort of activity. So they had started digging by hand an excavation that was approximately thirty-by-sixty feet. Two weeks before they were to close up for the winter, they got down to the bottom to hit something hard. It had obviously all become fill over the years. Fortunately, not only did they come down to the firm base of what had probably been a stadium, but here were a couple of sets of starting blocks for the runners. So it appeared they had probably discovered the fourth setting of early Olympics, as distinct from the three that the rest of us had all been taught.

In the meantime, they of course had had people digging close to the temple and various other places that looked interesting. They had uncovered the fact that this had been a small community as well as an Olympic game site.

They had accumulated enough artifacts that they had to store them somewhere. There was an old shed that anybody could have pulled a board off with all the artifacts that they had gathered. So Steve made the point that, "Here, I know that Al Bowker was talking to you about a museum, because our artifacts

have to remain on the site. That's been the law for some years. So every new development now has to have its own museum. Meantime we would like to get something where the artifacts can be reasonably safe, and hopefully where also our people could work. I have some preliminary plans here for the museum." Then he went on to explain how a preliminary basement to the ultimate museum could serve this purpose well. This in turn would limit the immediate expenditure considerably.

By the time Steve Miller was through, I was enthused enough that I said, "Here, I'll take care of the first \$150,000 to get a place for you to work and carry on." So with that, they got underway. While I was still there, he said, "Now, here we have another problem, because here is the fourth of the Olympic stadiums." In fact, he didn't know then, but it turned out to be around 573 B.C. "Here is a whole stadium with twenty-six feet of filling that has to be cleared out. I find that we had a couple of men here who have been operating tractors of that sort and know how to move dirt around. Is there any possibility of, if we have the funds, getting a Caterpillar tractor with the equipment that goes with it at a good price to remove this?" I said, "Yes, I'll try." The head of Caterpillar Tractor and his predecessor were old friends of mine, so I knew them rather well, and I got in touch with them.

It was interesting. They said, "Well, in Europe, we can get the distributor in Greece to give you a modest discount, but not all the way down to cost of the tractor. But if it's satisfactory to you, we will have him deliver a tractor to you, and we will send you a check for the difference." We got the Caterpillar at factory cost. They went to work, and confirmed that we really had a stadium. In due course as they worked along, they noticed some unusual type of texture on the side of the hill on one side of the stadium.

They poked around that a bit and found that the athletes had come through a tunnel through the hill as they came in and out of the stadium. In that tunnel is where they had changed their clothes and done the necessary getting ready. The most interesting part to me was that here was a tunnel framed by rock, in the Roman style. What was Roman knowledge of how you braced a tunnel doing in the 570s [B.C.] over in Greece?

LaBerge: So you saw all that when you went to visit it?

Peterson: I was over there almost once a year. One of the highlights of those visits as they were working in the ensuing eight, nine years was that we spent a long Easter weekend there in 1982 with Steve and his wife. They were of course busy working. Easter

in Greece comes one week after our Easter week. But Easter week there is more important than Christmas or any other holiday. We, of course, were entertained at least two meals a day in these family gatherings all throughout the Nemea area. There were usually at least three generations there at these family gatherings. It was simply delightful, except I can say that roast lamb twice a day for a week gets a little long. [laughter] This was festivity to them, so the roast started to turn over the fire first thing in the morning. By noontime, it was wonderful.

However, at the end of ten years, not only did we have a workspace, but we had a lovely museum, and my contribution had gone from \$150,000 to \$350,000. We had an official opening of the museum. The prime minister of Greece, a former professor at UC, was there, as well as Chancellor Mike Heyman and Al Bowker.

LaBerge: Is this Papandreou?

Peterson: Yes. But in many ways more important, Melina Mercouri was there. She was the minister of culture, the actress. Well, of course, a good deal of fuss had been made over this occasion here so there had been a tour with a couple hundred alumni of UC prior to this. The climax was to be the "opening" of the museum, with the banquet, and all the rest. But with several thousand citizens coming because of Melina and the prime minister, quite a few of our alumni guests couldn't even see the platform. It was just a mob scene. And of course, it was a very interesting ceremony, and we all participated. Some of us enjoyed it.

But after the ceremony, then of course the citizenry pretty well disappeared, and as planned, out in the patio adjoining the museum were the roasts that had been turning all day long. So those of us who were there as formal guests, including the UC alumni, had this marvelous dinner that evening in the patio, with music playing. Later in the evening everyone was dancing and having a wonderful time.

LaBerge: Does it have a name, other than Nemea?

Peterson: No, the name is Nemea. The Greek government had indicated, and finally did give the University of California an agreement that was without precedent. They would have the rights to, in collaboration with Greece, to determine how and what digging was done for the next forty years. There was some digging done a year or so ago, so the current contract will expire in 2032. And of course, if we do some more digging, forty more years will be extended.

Recent attention has started to focus on two abandoned communities just west of Nemea and one five miles to the east that belong in the B.C. category.

The attention was focused by the discovery of some jewelry in a private New York museum which had been found in the community, Aidone, eleven miles to the west. The Greek government, of course, made claim to the jewelry and took legal action. The museum has now agreed to turn the jewelry over to the Society for Representation of Greek Heritage, headquartered in Washington, D.C. The Society, in turn, has agreed in due course to turn it over to the Greek government who will place it on display in Athens. Following this, it will be delivered for permanent retention to the museum in Nemea.

Incidentally, Aidone is estimated to have been founded in 1300 B.C. and actually abandoned some time shortly after 1200 B.C. Then, some seven miles to the west (only four miles away from Nemea) was the town of Phlious. This was founded in 500 B.C. and pretty well abandoned in 200 A.D. It was a sizeable community with an estimated population of 25,000. Then, as we turn east of Nemea, five miles away was the town of Kleonai. This was founded in 600 B.C. and also apparently abandoned in 200 A.D.

These three communities, except for the finding of the jewelry, have remained untouched. As and when excavation may proceed it is pretty much assumed that artifacts and any interesting findings will also be placed in the Nemea museum. So, in the course of the coming years, this might all become an interesting and lively area.]¹

And in the meantime, we have provided for maintenance. Sometimes apparently the maintenance of some of these historic spots by the Greek government has been something less than we would want Nemea to be. Both Steve and I between us have provided in our wills that if the Greek government doesn't maintain, there will be enough funds available to always maintain the site and the museum. If it is maintained well, then the income from the funds will go to the Department of Classics at UC. The tenth anniversary of the dedication is May 28, 1994, so we have promised to be on hand.

Well, that covers most of my ventures. There are a few left, but I'll--.

¹Bracketed material added by Mr. Peterson during the editing process.

LaBerge: That is fascinating, too, just how you got into that.

Peterson: We were out there every year, so that one I feel that I earned my keep.

LaBerge: Oh, you certainly did.

Peterson: And it's such a beautiful part of Greece. It's south of the Isthmus of Corinth.

LaBerge: Not the Peloponnesos?

Peterson: Yes--and about 18 miles due south after you've crossed the Corinth Coast.

I rather think that they're still finding artifacts of real interest. Between that and particularly if they should elect to accept the invitation to dig in either one of these other two towns, Nemea is going for the next forty years to be a pretty active place.

Incidentally, I'm not sure, but I think it was University of Pennsylvania that did a little digging there in 1913, and apparently ran out of money or whatever. I think they've got some money to reestablish some of the columns of the temple that have fallen--underneath it was another temple. God knows when that was. But it had fallen down, and they built this temple on top of it.

LaBerge: Well, it's all sort of part of your international focus on everything.

Peterson: Just a tramp, that's all! [laughter]

Gathering on the Environment, 1992, in Tokyo and Rio de Janeiro
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Peterson: [A more current event was a gathering in Tokyo which took place in the third week in April, 1992. It was an international gathering of some twenty leaders from all over the world and the subject was "Environment."]

This meeting was called by Secretary-General Maurice Strong of the United Nations Conference on Environment and Development, to prepare appropriate recommendations and plans for the June meeting of the world's leaders in Rio de Janeiro, Brazil.

Maurice Strong would also be chairman of this Earth Summit conference.

The selected leaders were chosen because they were "has beens." This was, of course, to be certain that their recommendations would not be tainted with political influences or ambitions, but would be completely objective. The six prime ministers and/or presidents of various countries were not only qualified as leaders, but had obviously devoted both time and interest to the environmental problems during their active careers. Also present was Lord Jenkin, former environmental minister of the United Kingdom, and Secretary-General Emile van Lennep of the OECD. Obviously, both of these gentlemen would have spent much of their careers concerned with the problems of the environmental world. Likewise, the rest of the group had, in various roles, given much time and concern to the environmental problems of the world, as had the two of us from the U.S., Robert McNamara, former chairman of the World Bank, and myself, as a result of my United Nations activities.

We had at our disposal extensive studies conducted over recent years, not only by concerned groups in the United Nations, but from individual countries as well. Obviously, the developing part of the world was going to need encouragement, talent, and technical assistance, in addition to a goodly measure of financial support from the industrial countries. Sophisticated studies provided estimates for the developing countries that would reach \$600 billion per annum, of which it is estimated the industrial world would have to provide approximately 20 percent, or \$125 billion.

Each country would have different problems and plans. Hence, the relationship between the two worlds was very key. It would have to be a partnership in the fullest sense with the final verdict, of course, resting in the hands of the recipient, the developing countries. Obviously a situation in which no two relationships were necessarily the same would call for understanding and tolerance almost without precedent between countries.

After two full days of thoughtful discussion on a basis of give-and-take among all these gentlemen, a strategy with a series of six recommendations was agreed upon. This was expressed in the so-called Tokyo Declaration of Financing Global Environment and Development, a public document submitted to the summit conference. Incidentally, this document came out of a final four-hour round of discussions with the unanimous blessing of all nineteen individual leaders.

During the course of these two days of discussion, Mr. McNamara and myself had pointed out that the timing of the Rio conference precluded the possibility of the U.S. taking a leading role at this time, or any current commitment by way of financial support because of our own economic situation. Likewise, several of our fellow members had already acknowledged that six months before an election was not the time to expect our administration to come up with full support of any bold resolution and commitments for this new era. Our president's [George Bush] reservations on some of the proposed resolutions were well known to everyone around the table.

As a result, there was a good deal of discussion with our Japanese hosts on the opportunity this afforded them to take a role in worldwide leadership. The world already recognized the outstanding role they had played in bringing their own country's environmental problems under control. This would make it a particularly opportune moment to stay in the lead with at least a start at financial and cooperative commitments. There was little question that they would have very active support from most, if not all the European countries. I think we all left with the consensus that the prime minister as well as his colleague, former Prime Minister Noboru Takeshita, there at the conference were very much interested.

Following our return to the United States, Chairman Maurice Strong asked several of us if we could arrange to join him at least in the early stages of the Rio conference. As a result, I was there for the opening days with several of my colleagues. We sat through a series of meetings during the first week in which the pros and cons preliminary to the final resolutions were discussed. By that time, there was little question that the U.S. would not even consider the important treaty on biodiversity and were requiring considerable modification on the global warming treaty.

By the beginning of the second week, some very real differences had developed with several nations indicating some question if they would go along with either of the two treaties and the cooperative action called for in "Agenda 21." While the Japanese role was something less than what we had hoped for, I am sure they, along with Germany's firm commitments, financial and otherwise, helped resolve these differences. Hence, both treaties were finally turned into meaningful commitments by everyone except the United States. Personally, I feel that there was pretty much consensus that given further time, the United States, in due course, would come to the table.



Dinner party at the Swedish Consulate, San Francisco, 1992. Left to right: Ann Forsberg, Glenn Seaborg, Helen Seaborg, Franklin Forsberg (former Ambassador to Sweden, current president of Swedish Council of America), Barbara Peterson, and Rudolph Peterson.

And so this worldwide gathering of 180 countries may not have fulfilled some of the hoped-for dreams, but certainly was a milestone, without precedent, in our world affairs. I am sure it made for a meaningful first step from which successive steps will follow. In due course, I think we can hope and expect a constructive program in the world's environment will evolve and be well underway before this century is over.

Conclusion

Peterson: I think I am only entitled to limited credit for this very interesting and exciting lifetime of activity. Starting at some nine or ten years of age listening to those tales of exciting adventures at our Sunday dinner gatherings probably aroused an early curiosity. The schedule of chores and assignments on a combination dairy and fruit farm no doubt provided some sense of responsibility. Contributing even more so were those vacation months when I was working with a combination of horses and equipment out in the remote fields. Horses can be stubborn and feisty at times, calling for a measure of both judgment and prompt decision which might well have been constructive training. At the twelve- to sixteen-year age range, this combination of activity might have provided somewhat of a head start.

Then, in 1921 at the age of sixteen, to arrive at a sophisticated University of California campus from a remote dairy farm called for some more catching up. With farm prices at an all-time low, I had decided to relieve father Aaron of any financial concerns. So, here again, finding a part-time job to cover board, room, and tuition to fit in a full-time schedule of classes called for a measure of organization and planning of one's efforts.

Certainly 51 percent of the credit should be allotted to two fortunate and happy marriages. Patricia opened the door continuously to new adventures over thirty-two years of married life. Then, with the loss of Pat and a two-and-a-half-year interval, my marriage to Barbara for the last thirty-odd years provided much needed support for a continuing full agenda, particularly of extracurricular activities.

Pat's youth had, of course, been full of fascinating stories from a father and uncle who had spent much of their lifetime in gold mining, divided between California's Mother Lode and Alaska in those good old days of real adventure. Her helpful advice started

off with an important role in my decision following graduation as a "money and banking" major. The challenge was to depart from the orthodox routine of a banking career and start off with the excitement of a new and unproven concept of an auto finance company. Again, at the start of our marriage two and a half years later, Pat decided to continue in her job until our savings would be sufficient for a visit with my family in Sweden and a tour of northern Europe. Without this interlude, there would, of course, never have been a subsequent meeting with Chairman Duncan of Commercial Credit Company. From this followed the ensuing two and a half years of challenge and adventure in Mexico, Cuba, and the Midwestern United States in an unprecedented period of turmoil and Depression. Over this extended period, I was not only dealing with major problems and issues, but reporting and collaborating on these directly with President Wareheim and the chairman of the board. This was at least a unique opportunity and experience for someone in his mid-twenties.

Pat's continued thoughtful collaboration and insight into the opportunities of each new adventure were vital in such moves as to the Bank of America, then Mr. Giannini's proposal into taking on Allied Building Credits with its problems through the United States, and years later, in 1955, the departure to the Bank of Hawaii. This was all together thirty-four years of ever challenging experiences in the various worlds of finance.

Two and a half years later came Barbara's turn to join the parade. The exhaustive agenda of trying to direct the number-one bank in the world called for a lot of extracurricular activities in which her presence and participation were so important. This agenda pretty much continued following my official retirement activities with both the United Nations and other various government and community organizations. And so, for the most part of another thirty-odd years, she should share credit for whatever success resulted.

Certainly those earlier years provided the recognition of the need for constant alertness and action on potential problem areas. Likewise that success in any business venture or operation was a shared process--always a team effort. Recognition of one's own limitation was not modesty. Identifying and encouraging the very talents of the teammates was the key to success. This recognition became increasingly vital as the scope of one's responsibilities increased such as in the Bank of America and United Nations. Besides, it was much more fun to have partners as these problem areas evolved, and share these successes with them.

So, my life has all been and continues to be an adventuresome and exciting experience. All this provides not only delightful memories but the more reason to continue to make the coming years hopefully useful.]¹

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¹Bracketed material added by Mr. Peterson during the editing process.

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APPENDIX

"The Philosophy of Installment Lending"

by R.A. Peterson, Vice President Bank of America, San Francisco, CA in
The Great Lakes Banker, March 1946

Glad to know installment business has a philosophy. Heavy dessert for you--grand trip, swell lunch for me.

This subject has been so ably reviewed in recent months by Walter French, Carl Flora, Tom Boushall and other outstanding authorities, that I can assure you that any similarity with what I have to say is not a coincidence. Like you, I have read the talks and articles of these men with a great deal of interest in past months.

Consumer credit in general and the financing of installment purchases in particular have, of course, been looked upon by some economists in much the same way a mother-in-law looks upon a bride who is not quite worthy of her son. Yes, even some of our bankers have charged it with mothering the sound and fury of the "Roaring Twenties" and the debacle of the early thirties. However, it must be assumed that an activity which has established itself so firmly in our economic system, and continues to grow as a part of our credit structure, is not all bad; it must have ample justifications, both social and economic.

Let's see what some of these might be. Hasn't it been a form of saving for many thousands of people? They have acquired otherwise unobtainable capital goods by systematically budgeting the cost out of income. How often have you heard some young couple justify, sometimes apologetically, an installment purchase, by the fact they would not have acquired their furniture or their automobile any other way. They frankly admit that the monthly allotment set aside would have been frittered away in day to day non-essentials, that they would not have been equal to the sustained savings program necessary to accumulate the entire purchase price.

Don't we have a prime exhibit "A" in the substantial equity many people have acquired in Title II homes which otherwise would have been dissipated in rent? Possibly Mr. Jones has foregone more than one stag party, or Mrs. Jones has passed up another new hat because each knew that the payment was coming up on the house, the furniture, or the automobile.

Why should there not be just as much economic justification for the individual to budget his future income in order to acquire the equipment necessary to produce better living as it is for a business firm to budget

its future income to acquire equipment which will produce better products?

I think we will all concede that the proper use of consumer credit for installment purchases has been a powerful instrument in the development of American mass production. Certainly no one will quarrel today with the benefits and the higher standards of living that only this expanded production made possible. Today, our national economy faces this challenge that production must be sustained on a large scale. We talk about a national income of \$130,000,000,000. It has been estimated that \$90,000,000,000 of this must go into consumer goods and services. We need 50,000,000 jobs. Certainly the cash now held by a large segment of our consumer public is not sufficient to provide this purchasing power on any sustained basis.

Contrary to the oft propounded theory that installment financing has raised the peaks and deepened the valleys of our economic cycles, I am not so sure that it cannot and will not be utilized to do exactly the reverse. We had some evidence of its beneficial effects in that direction in the middle thirties when sorely needed housing activities were revived.

This, of course, brings us to the hue and cry after consumer credit in our much feared inflation prospects. And I would ask: Who is the greatest threat to inflation in the consumer field? Is it the cash buyer on the loose with a lot of spare change, or is it the installment purchaser? I think most of us, on reflection, will agree that the excellent experience of installment financing organizations of the past is not due to any uncanny foresight on their part but rather because the average man will stop, look and listen before he allots a portion of his future income for twelve, eighteen, twenty-four months or even longer. The average man is not a credit minor. He doesn't need a ward to lead him by the hand. He utilizes, as a rule, the same common sense in his commitments as we try to utilize in extending him credit.

Historically, we do know that the average wage earner or salaried man does not hesitate to fulfill his reasonable desires out of income when the prospects of continued employment look good. Conversely, he is the first to change direction when the clouds of uncertainty gather, and go back to the cash and carry system.

Now whether or not we agree that this activity is justifiable on economic or moral grounds or what have you, we might as well be realistic about it. There is nothing really new about the transition or evolution which seems to have changed our credit picture. In some respects, I think it is just a change of form rather than something which has been added. Let's put on our brown derby and take a quick look at the record.

In 1900, the report of the Comptroller of the Currency showed that some 81% of total deposits of all national banks were in commercial loans. By 1920, this had dropped to 61%. Fifteen years later, some 15 and 1/2 % of total national bank deposits were in this same commercial loan category and in 1940, our last so-called "normal year," we had an all-time low of 11%. The National Bureau of Economic Research points out that from 1920 to 1940 loans dropped 50%. Yes, the expansion of our industries, improved transportation and many other factors contributed to this change but--don't you also think that a substantial factor has been the change in the level at which credit is utilized on a large scale? As Carl Flora so aptly has put it on previous occasions, "The credit stream is being injected down at the consumer level today, instead of back at the production level of yesterday." It is the same stream, made up of the same dollars. Manufacturers want cash on the line before they ship. Distributors no longer carry dealer inventories for thirty, sixty, and ninety days on the grand scale of heretofore--but utilize various forms of inventory financing services provided by credit agencies. The local merchant has cleared his receivables ledger of anything but thirty and sixty days accounts and discounts his longer term receivables with finance organizations. The well of our commercial loans has been gradually drying up. But at the same time the increasing demand for credit down at the consumer level has been more than compensating for this shrinkage. Are you getting your share?

Now, we come to what is possibly the most human area of installment lending activity, the so-called personal loan field. On the moral side some of us may say that the family should so manage its affairs that it doesn't arrive at the critical day of accumulated bills with creditors closing in. However, condemnation isn't going to cure the ill. An orderly and intelligent program of liquidation and budgeting of this indebtedness, along with provision for future requirements, would seem to be a more useful approach. The emergencies of life--illness, accidents and even babies cannot always be anticipated or predetermined. And troubles do not always come singly. Ask the father of triplets. Frozen salaries, along with increased taxes and increased cost of living in recent years too often left nothing for the most conscientious employee to lay away in reserve for a rainy day. These contingencies are the musts of life and must be met. Isn't there both economic and moral justification for a banker's help in a sound budgeting program which clears the decks on these expenditures and permits orderly readjustment in the individual's scheme of living? (continued savings)

Even if we do not all agree entirely on all the merits of this lending activity, none of us will deny that it is here, and here to stay. Naturally, that doesn't necessarily mean that banks need get all excited about it. Other agencies have cared for it in days gone by. But--who is in a better position or has a better right to serve all the legitimate credit requirements of the entire community than the local bank? Isn't

that what we are here for? At least, we preach the gospel for public consumption. We assure the people of our intent, yes, our determination to care for every worthy credit need in the community. We'd better live up to that because in recent years we have been shown that if we do not, someone else will. It didn't bother us too much when for years finance companies did it, but now that the politician has found it a pretty good banner for him, too, we have really come to with a start.

We have found that we need the people as our friends. We need to melt away the average man's impression of our cold pillars and the occasional glassy eye. How better can we do this than by caring for individual credit needs with a human touch, with an attitude of understanding? It may be just a three or four hundred dollar loan to us, but to your customer it is a big personal problem. How will he feel about you and your institution in his time of crisis if you seem to have full appreciation of its importance to him--can see it from his side of the desk?

Besides, it has been found to be very profitable business--rates are satisfactory; losses are low; we make money at it. It is becoming a very necessary part of our earning picture in the average community bank. We certainly cannot sit on the bond portfolio forever for our earnings and justify our existence. Please do not misunderstand, I do not quarrel with the place of wholesale suppliers of credit in our banking structure. Particularly in larger centers, some banks may very properly devote their entire program to filling that need. However, we do say that sufficient banks in every community should be engaged in consumer credit activity to care for the legitimate requirements of every worthy individual.

And, while we talk about making money at this business, don't overlook coincidental benefits. In the institution I represent, we devoted our entire advertising and promotion budget in 1936 to the development of this installment loan activity. That same year we enjoyed a greater increase in our savings deposits than ever before, both in accounts and dollars. Why? Because people came into our banks. They learned to know us, they were exposed to our bank's other services. How better can you rent your safe deposit boxes, finance the purchase of new homes, than to have the people of your community find that your bank has also become their bank for whatever bank service they may require?

So far so good, but how do we propose to go about it? Suppose we stipulate that this activity, intelligently directed, is basically sound. Suppose we agree that it is a bank's proper function to provide banking service for the entire community, if not by choice, then of necessity. We still have some pretty important decisions to make. This is something we can't sample by sticking one toe in. We have to step in with both feet, right up to the waistline, yes, maybe up to our neck. But after the first shock we find the water's fine!

However, you can't make much splash in the pool of community good will and public service by making a sedative of consumer credit back in some corner relegated to some junior clerk. Decisions on a \$300 loan have to be made now, not tomorrow morning when the loan committee meets. Theretofore, the responsibility for this activity must be delegated to some competent individual in your bank in whom you have confidence--and--with that responsibility must go the authority to make decisions and make them quickly.

This is a business in which we deal with averages. It is based on the well-established fact that the average man is honest, that he wants to pay his bills. If an individual's past record confirms this, and his future prospects and attitude reflect both ability and desire to repay--then the answer to him is "Yes." No installment lending officer can be infallible. He is going to make a few wrong guesses, and if he doesn't make a few, he has been too tough and some deserving people have been refused loans. Fair risks for installment purchases will have been turned down and the merchant, your customer, will have lost business. Naturally then, an infrequent loss or repossession cannot be an occasion for censoring the judgment of the individual who approved the loan or the purchase.

We must decide that we are going to merchandize credit. We are going to actively promote it; we are going to invite people into our bank; we are going to deal with averages; we are going to care for the requirements of the good and the fair and turn down only the bad. It is not our business to apply a moral yardstick to whether or not an individual should buy a refrigerator or an automobile. Our concern is with whether he is willing and able to pay for it within the limits of time provided.

We must select with extreme care the individuals who are going to handle this activity for us. They must appreciate what merchandizing of credit really means. Those handling direct to consumer lending should have a little added human touch, the ability to deal understandingly and sympathetically with the individual's emergency, to appraise it properly, to decide quickly. They must like the job. They must like people. It has often been said that the initial interview is the most important part of a personal loan transaction. Right there, your decision is about 90% made, one way or the other. You can turn an undeserving applicant down then and there and still have a friend if you handle him properly. You certainly won't have a friend if you keep him waiting around for a negative answer for two or three days. As a matter of fact, most of the benefit of even a "yes" answer is lost if it takes that long to give it.

We recently conducted a survey in California to find out why people deal with us or do not deal with us. The number one reason--tied with saving in cost for first place--was lack of red tape and delay. I am

sorry to add that some of these people felt that there probably would be less red tape in another lending agency than in a bank, including our own. In second place came the same courtesy and understanding we have just talked about. Remember, these ranked ahead of those plus values of which we make much, such as: Intelligent collection methods, convenience of location, hours, reliability, privacy and many others. All important, yes, but secondary to prompt decisions and understanding with a human touch, which these people give as their chief reasons for coming back to us as a bank or to the loan company--and also their reasons for telling their friends about you--the most prolific source of new and additional business and new and additional friends which, heaven knows, we need.

Effective advertising and effective promotion will bring people into your bank, but only intelligent, prompt and helpful service will keep them coming and bringing their friends.

Finally, let's carefully examine our cost factor in this business before we enter it. It costs money to acquire this business--advertising and promotion is necessary and solicitation by experienced personnel is another requisite in many cases. We deal in averages. We take care of a large cross-section of the community--not just triple A risks. That means proper servicing. And intelligent, consistent collection follow-up is a must. Field men to work on these collections may be necessary. It may be even that some of you will have to get up off your parking space and do that field work. All that means overhead.

We agree we must take some losses. That means reserves must be set aside. Incidentally, remember the past eleven years have all been good. We have ridden the crest of the wave. The five or six one hundredths of 1% loss for that period, is not necessarily any criterion of what we will need for the long pull. Charges must provide for adequate reserves.

There is nothing philanthropic about this business unless we consider it enlightened "self interest." We are entitled to a reasonable profit and an adequate margin of safety. No one is asking us to do it for nothing. The public has amply demonstrated its willingness to pay a fair price for services rendered. All people want is value received. True, we do not need 3% a month, but I don't think we need to go down to 1/8th or 1/10th of this figure. Recent reports of 2 and 2 and 1/2% discount on automobile transactions give cause for concern. As we all know, this is from 4 to 5% simple interest, which still in many areas is a reasonable rate on selected commercial loans. This is hardly ample enough to cover the cost items, the reserves and the reasonable margin of profit we have just talked about. I question that we need to get down to any such figure--and no one expects us to. As bankers, we are a little too disposed at times to think that reduced rates acquire business.

Gentlemen, intelligent and understanding service is what will develop this business. Rate is definitely secondary as long as it is reasonable.

Some may have reason to feel they cannot afford to enter this field but--neither your bank nor banking can afford ever to have you leave it once you have entered it. This is really letting the public and your community down. We must take a realistic look at our cost factors first, provide adequate reserves, allow for a reasonable profit--to be certain that above everything else, we are ready to see the cross-section of our community through a rainy day.

Gentlemen, consumer credit, like social security, is here to stay. In fact, consumer credit is social security for banks. (minus social) It has become an integral part of our economy. It has only reached that status by contributing very materially to that economy. It is a necessary means of assisting a wide cross-section of our public to acquire capital goods, to attain a higher standard of living. It is certainly essential to sustained mass production--which we all agree is a must. Who is going to maintain and service this reservoir of buying power--so essential to full production? Who is in a better position to keep this credit pattern on an even keel than you, the local banker of each community? You are in the best position to apply the tested yardstick of character and capacity--to determine whether the obligation can be repaid by the individual within the limits of the time required. It is a responsibility that we face, as banks and bankers, properly and intelligently to serve these particular needs, just as we do all others in our field. Isn't it true that after all, bankers do deal in more than money? Remember that Chicago banker who once delivered a little speech on the subject? "Money," he declared, "isn't everything. It is not money that will heal the pain of a broken heart or put together again the fragments of a broken dream. Money cannot bring happiness to a shattered home nor repair the ravages of a misspent life."

Then the banker paused, and on a more cheerful note concluded: "I refer, of course, to Confederate money."

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GERMAINE LaBERGE

B.A. in History, 1970, Manhattanville College
Purchase, New York

M.A. in Education, 1971, Marygrove College
Detroit, Michigan

Member, State Bar of California since 1979 (inactive status)

Elementary school teacher in Michigan and California

Experience in legal research and writing, drafting legal documents

Volunteer in drug education program and hunger programs,
Oakland and Berkeley, California

Interviewer/Editor in the Regional Oral History Office in fields of
law and University history since 1987.

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